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NOVEMBER/DECEMBER 1999

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FOREIGN AFFAIRS

NOVEMBER/DECEMBER 1999
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SUBSCRIPTIONS: Price for subscriptions, U.S. $44.00, Canada $54.00, other countries via air $79.00 per year. To subscribe, write *Foreign Affairs*, P.O. Box 420235, Palm Coast, FL 32142-0235. To resolve subscription problems, call (800) 829-5539 or e-mail foraff@palmcoastd.com.

Replacement copies are available to subscribers at no charge until the next issue is published. Thereafter, back issues are $12.00 each. GST number 127686483RT.

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*Foreign Affairs* is a member of The Leadership Network. For information, contact Teri Schure, Chairperson, at (212) 982-8880, ext. 110. Fax: (212) 982-6968.

*Foreign Affairs* is a member of the Audit Bureau of Circulations and the Magazine Publishers of America.

REPRINTS AND PERMISSIONS: Write *Foreign Affairs*, Reader Services, 58 East 68th Street, New York, NY 10021. Fax: (212) 861-2759.

PRINTED IN THE UNITED STATES OF AMERICA

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# Comments

## The United Nations could sink without America's support.

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# The Fall Guy

## Washington's Self-Defeating Assault on the U.N.

*Michael Hirsh*

For Richard C. Holbrooke, managing U.S.-U.N. relations must feel a bit like taking over as skipper of the *Titanic*—after the iceberg. As soon as a truculent Senate finally confirmed him as permanent U.S. representative to the United Nations in August, Holbrooke headed off to the Balkans, where the West has handed the United Nations a peacekeeping migraine. In Kosovo, the province's political future remains utterly unresolved, most of the population wants an independent state that the West will not give, and a still-domineering Kosovo Liberation Army—despite a September agreement to disband—loses no opportunity to defy an organization it knows is in disrepute both on Capitol Hill and at the White House.

The real problem for the United Nations is that, after six years of worsening U.S.-U.N. relations and a series of bloody peacekeeping disasters, a skeptical Clinton administration now views Kosovo as a test case for whether the United Nations can ever be trusted with peacekeeping again. "The U.N.'s future in international crises," Holbrooke said, "is going to be determined in very large part by what it achieves in Kosovo." Although for the moment a truce has been declared—senior Clinton officials have promised U.N. Secretary-General Kofi Annan they will avoid publicly criticizing the U.N. effort—some in the administration seem to be positioning the United Nations as the fall guy for a probable foreign-policy mess. This, of course, continues a pattern dating back to Clinton's inaugural foreign-policy embarrassment in 1993: Somalia. Matters have only gotten worse since then.

Back in New York, Holbrooke faces an organization that is demoralized and in disarray. The United Nations' never-ending budget troubles fester on. By withholding more than $1 billion in dues, the United States is responsible for nearly 70 percent of the United Nations' current indebtedness, claims Joseph Connor, the U.N. undersecretary-general for management. As a result, the United Nations now owes $900 million in peacekeeping arrears to other nations, which in apparent retaliation have forked over only $22 million of the $125 million they were assessed for Kosovo. Although Congress and the Clinton administration

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MICHAEL HIRSH is Diplomatic Correspondent of *Newsweek*.



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agreed last June to pay up part of America's dues in exchange for U.N. "reform"—even though, under Connor's nimble knife, the United Nations had already cut 12 percent of its staff—the money has barely begun flowing. Still, the United States wants to regain its seat on the U.N. budget committee. "There is a real sense of visceral anger" here, says a senior U.N. official. The Security Council, meanwhile, teeters on the brink of dysfunction—especially since last year, when Moscow, Paris, and Beijing virtually allied with Saddam Hussein to cast U.N. weapons inspectors out of Iraq. Increasingly, Washington looks on the Security Council as a place where it must go, holding its nose, to wrest an okay for collective action—but which it tries mightily to avoid, as it did before the war in Kosovo.

U.S.-U.N. tensions, of course, are not a new story. What has become ever more alarming throughout the 1990s, however, is the deepening contempt displayed by both Congress and the Clinton administration toward the world body. These dismissive attitudes exist at all levels; recounting tales of U.N. incompetence is water-cooler sport in the State Department and the Pentagon. Washington's collective sneer has helped delegitimize the organization that Woodrow Wilson, F.D.R., and Harry Truman once dreamed would bind the world into a new structure of international relations. If the United Nations has not yet fallen into the desuetude of the League of Nations in the 1930s, it seems infected with a similar morbidity: that of an orphaned agency lacking the legitimizing imprimatur of the United States, with a Congress that refuses to recognize its value or even its existence (no fewer than 74 representatives, led by the powerful Republican whip, Tom DeLay, once voted to withdraw from the United Nations altogether), and a president who has been AWOL in defending it.

As Stanley Hoffmann has noted, in the past the United Nations' prestige let it post peacekeepers from Kashmir to Cyprus to Mozambique. Lacking that, the United Nations promises to become the Third World talking shop it was during the worst of the Cold War; the Security Council would degenerate into a mere soapbox used by once and would-be great powers (Russia, China, France) to puff themselves up; and the United States would stand estranged from the organization it once lovingly welcomed into the world. America would become, as Samuel P. Huntington has warned, a "rogue superpower."

Obviously, this is not what the United States really wants. Indeed, the terrible irony is that the United Nations—the organization Washington has willfully marginalized and bankrupted—is now more central than ever to America's global interests.

### TIMOROUS

Two recent international crises, Kosovo and East Timor, are case studies in why America's disdain for the United Nations makes so little sense. East Timor in particular showed both the depths to which the United Nations can sink without U.S. support and, in the crisis' resolution, what the United Nations can become when there is a strong U.S. hand behind it.

In early September, the U.N. compound in Dili established to monitor a referendum on independence was besieged by Indonesian-backed militias. With the Clinton



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administration paying scant attention and thousands of East Timorese getting slaughtered, Annan ordered his staff to withdraw. Many bravely refused to go. The United Nations' reputation and prestige once again was utterly on the line. All the world was watching—except, it seems, Washington. Asked about U.S. intervention, National Security Adviser Sandy Berger shrugged off the notion of American involvement, helpfully pointing out that he does not intervene every time his daughter messes up her room at college. (Berger later apologized, calling the analogy "a clumsy way of saying we can't obviously go everywhere, do everything.")

But as the headlines continued to scream and TV showed a smoking catastrophe in Dili, the global clamor for action grew deafening. Clinton abruptly swung into action en route to the Asia-Pacific Economic Cooperation (APEC) summit in New Zealand, suspending military assistance and arms sales to Indonesia. Under Washington's guidance, the International Monetary Fund told Jakarta that billions of dollars in desperately needed aid would remain suspended as long as the killing continued. All this was given the heft of international law on September 14, when Holbrooke engineered a late-night approval of Security Council Resolution 1264, which authorized sending multinational troops to stop the killing. In the face of such unified opprobrium, Jakarta finally yielded to a peacekeeping force.

The success of that mission is hardly assured, but the East Timor crisis demonstrated that when Washington makes use of it, the U.N. system can be a powerful channel through which a wide array of threatened sanctions can be transmuted into a single hammer blow of pressure. Or as Holbrooke said afterward, "It was almost a textbook example of how the U.N. Security Council is supposed to work as envisaged by Churchill and Roosevelt."

East Timor held other, larger lessons for the Americans. Some in Washington still entertain the notion that America can define its "vital national interests" unilaterally and narrowly. But East Timor, like Kosovo, demonstrated that this decision is often no longer in our hands. CNN and the 24-hour media culture can turn local humanitarian horrors into global causes célèbres that America, as the chief champion of post–Cold War liberal internationalism, can scarcely ignore. It's never lonely at the top, it turns out, when you're the lone superpower. It becomes much harder to claim that something, anything, is not your fight. But the United States does not want to be a "globocop" now any more than it did in the past, sacrificing American resources and lives to the East Timors of the world.

That sentiment argues for active U.S. support of multilateral solutions. The problem is that in most cases the United States simply cannot achieve effective multilateralism without the United Nations. This is not an easy conclusion for Washington's policy-making elite to swallow—especially after Kosovo, a demonstration of America's unrivaled might that gave rise to White House hints of a "Clinton Doctrine" of humanitarian intervention. Soon after the war, senior administration officials—inspired by NATO's new posture as a regional police officer—began talking with renewed vigor of beefing up other regional organizations like the Organization of African Unity and the Association of Southeast Asian Nations. They have even hinted that



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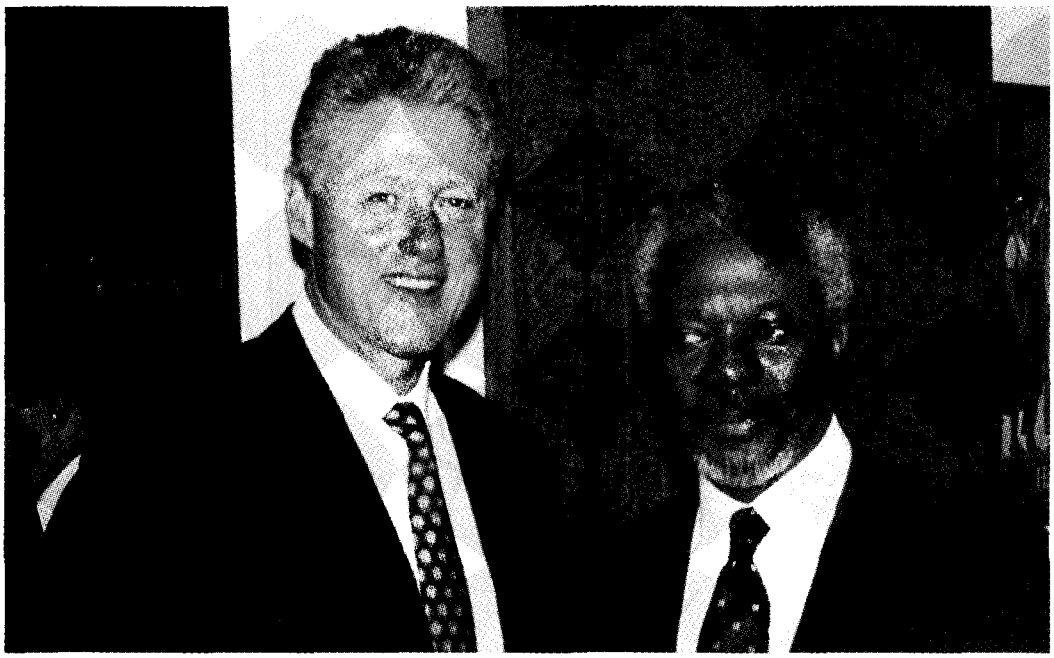

AP/WIDE WORLD PHOTOS

*The big chill: President Clinton and Secretary-General Annan, September 1997*

APEC, which began as a purely economic group, might become a regional security forum after East Timor. But the stark truth is that regionalism, whether through organized forums or ad hoc "posses" of nations, will rarely work outside the U.N. structure. Such efforts would inevitably be seen as power plays by one regional rival against others; just try to imagine an Australian-led peacekeeping force entering an Indonesian territory, as it is now, without Security Council authorization. In Kosovo, Yugoslav President Slobodan Milošević caved only after being offered a U.N. guarantee of sovereignty on which his ally, Russia, had signed off. For its part, a reluctant Washington acceded (at Moscow's urging) to a U.N. peacekeeping role in Kosovo when it realized that the only viable alternative, a mission run by the European Union, was even less desirable. (Another problem with regional military intervention: Kosovo was a much closer call than anyone has admitted. Despite 78 days of laser-guided bombing, NATO was within days of ordering up a potentially bloody ground invasion when Milošević gave in. That is why no European leader cares to get involved in a Kosovo-like regional crisis again soon—and why a worried White House strangled the nascent Clinton Doctrine in its conceptual crib.)

Hence, imperfect though it is, the United Nations and its system of agencies (including the World Court and the International Atomic Energy Agency) are collectively the closest thing to a globocop out there. And something more important than the United Nations as an organization is at stake: the future of international law itself. To oppose NATO's strikes on Serbia, both Russia and China—the countries America most fears, with reason, as future geopolitical rivals—invoked the U.N. Charter, which gives the Security



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Council alone the authority to enforce compliance with its resolutions. Irritating as this was to the White House, the co-opting of Russia and China by the U.N. system may be the surest firewall against war in the 21st century. The Security Council may be becoming, through its accumulated resolutions, the chief source of international case law—the very framework of international norms that Washington has been trying to build since Wilson's day (even as arguments rage over the Security Council's ever-broadening interpretations of the U.N. Charter). But Washington's assault on the United Nations' prestige may undercut the norm-creating role of the Security Council, and that would badly damage U.S. interests. The Security Council, with its five World War II–engendered permanent members, is "increasingly being challenged as archaic" by the rest of the world, noted Ruth Wedgwood, an expert on the United Nations at the Council on Foreign Relations. "If we're mounting an artillery barrage from the other side," she said, we could be shooting ourselves in the foot.

### THE SCAPEGOAT

What a difference half a decade makes. It was not very long ago that Washington was eager to help the United Nations take on the task of world peace. Think back to early 1993. The Cold War paralysis had ended; Moscow, the shoe-banging, propaganda-droning obstructionist, had become an attentive if troubled pupil of Western reform; and on the eve of Bill Clinton's election, then–U.N. Secretary-General Boutros Boutros-Ghali proposed an activist "Agenda for Peace" that won kudos from the Bush administration, *The New York Times*, and *The Washington Post*. His vision: a robust "peace enforcement" capability for the United Nations, a rapid reaction force that would fill the gap between the United Nations' traditional peacekeeping role as a lightly armed buffer—the kind of duty it had performed for decades in places like the Middle East and Kashmir—and the large-scale warmaking capability left to the United States in the Korean and Persian Gulf wars.

Boutros-Ghali's concept seemed to dovetail nicely with the new administration's agenda: "enlargement" of democracy had replaced containment as America's basic foreign policy doctrine, declared then–National Security Adviser Anthony Lake. The United Nations would not be central to this, but that was fine; it would take care of the world's basket cases—a kind of World Bank for the politically needy—while the rest of the globe prospered on a diet of open markets and democracy. Taken together, it was the last time anyone offered up a coherent plan for the hopefully named and never realized New World Order. As Boutros-Ghali concludes sadly in his recent book, *Unvanquished: A U.S.-U.N. Saga*—a startlingly frank attack on Madeleine K. Albright and her tart-tongued janissary, James P. Rubin, whom Boutros-Ghali contends ousted him as secretary-general in part to appease congressional Republicans—"in the past the job of constructing a postwar system of revitalized international relations generally was completed within five to seven years. . . . This book has been about the loss of [that] opportunity."

There is plenty of blame to go around—starting with the United Nations itself. Always timid with firepower, the institution was clearly ill-equipped to take on so



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many post–Cold War peacekeeping challenges—especially Bosnia. But whatever chance the United Nations had to become something more was quickly snuffed out by Washington politics. In 1994, the Republican takeover of Congress coincided disastrously with a surge in U.N. peacekeeping duties. At the time, the United Nations was running 17 different operations, and its peacekeeping budget had leapt from $600 million to $3 billion per year. In the absence of a true foreign threat to the United States, those numbers quickly came to the attention of the Republicans, especially Jesse Helms, the Senate Foreign Relations Committee chair who made an obsession with "U.N. reform" the focus of much of his blinkered vision of a scaled-down U.S. presence in the world. Largely as a result, the isolationist, Republican-dominated Congress held U.S. dues in thrall.

But Bill Clinton was the one who let it all happen. The leader of the free world willingly sacrificed the United Nations' reputation to domestic politics, making it yet another victim of the "triangulation" strategy whereby he co-opted key Republican ideas. And by not publicly taking up its cause, he let risible right-wing demagoguery about the threat to U.S. sovereignty of U.N. "black helicopters" linger in the public consciousness. Rather than working on the United Nations' weaknesses himself, Clinton let the organization become a scapegoat for his administration's own failures of will, imagination, and courage. Indeed, the stock image of U.N. failure—the picture of a dead U.S. Ranger being dragged through the streets of Mogadishu in 1993—was largely the fault of U.S., not U.N., command and control. But that experience so traumatized Clinton that it set in motion a wholesale retreat from overseas commitments, including a Clinton/NATO decision not to vigorously pursue Bosnian Serb war criminals after the 1995 Dayton peace accord for fear of a Somalia-like result. That, in turn, emboldened Milošević in Kosovo.

Worst of all, in the last few years the president has allowed America's backlog of dues to go unpaid over a dubious issue drenched in domestic politics: the use of U.N. money for pro-choice family planning. Pro-life Republicans can be faulted for their monomania, but in truth, most of their bills have contained fairly mild language tying up only a small amount of U.N. money. Many observers believe Clinton could have compromised much earlier had he been less beholden to women voters—and more concerned about the United Nations.

Unless he does something about it, the neglect and breakdown of the U.N. system may some day be one of Clinton's most enduring foreign-policy legacies. There is no question that the United Nations needed reform and still does; even today, despite maintaining a zero-growth budget for most of the 1990s, it suffers from a certain degree of bloat. Half the United Nations' regular budget still goes for economic commissions and studies; outdated agencies like the U.N. Conference on Trade and Development could easily be absorbed into superseding organizations like the World Trade Organization. But is the United Nations frankly that much worse than any other multilateral bureaucracy? And might not the "medicine" now being administered be killing the patient?

Clinton and other administration officials regularly voice support for the



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United Nations in public. What they cannot bring themselves to do is to champion it in actual fact. Interestingly, no one embodies these tensions more than Richard Holbrooke. It was Holbrooke who, as chief negotiator at Dayton in 1995, banished the United Nations from the bargaining table in a harsh display of realpolitik. But it is also Holbrooke, a New Yorker born of immigrant parents, who more than once has tearfully described the moment when his father took him to the banks of the East River to gaze upon the U.N. building and see the great hope of the future. Against U.N. wishes, Holbrooke must now deal with Congress' all-too-unilateral attempt to reduce the U.S. share of U.N. dues from 25 to 20 percent, as he promised to do during his oft-delayed confirmation hearings. Moving the United States and the United Nations back to a place where they can at least coexist in mutual respect will, in the words of one U.N. official wise in the ways of Washington, require "a piece of almost Dayton-like shuttle diplomacy." But it may be the single most important foreign-policy initiative that the Clinton administration can undertake in its final year in office.

**Report to JFK**

***The Skybolt Crisis in Perspective***

RICHARD E. NEUSTADT

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# Understanding Taiwan

## Bridging the Perception Gap

*Lee Teng-hui*

The sustained economic growth, unprecedented prosperity, and full democracy recently achieved by the Republic of China has one drawback: the speed of Taiwan's progress has outstripped prevailing perceptions of what Taiwan is and how it should fit into the global order. To illustrate this, one need look no further than the attainment of full democracy on Taiwan, and the subsequent emergence of a new sense of national identity impelled by the force of the ballot box.

To convey a sense of the popular will on Taiwan today, I now refer to my fellow citizens as "New Taiwanese," meaning those who are willing to fight for the prosperity and survival of their country, regardless of when they or their forebears arrived on Taiwan and regardless of their provincial heritage or native language. This fresh national identity based on the New Taiwanese consciousness, holding that Taiwan's interests should be foremost and that the people of Taiwan all share a common destiny, has gradually harmonized the populace and provided a stable middle ground for Taiwan's political development.

This new sense of identity manifests itself in every aspect of Taiwanese social and political life, including the role that the voters of Taiwan feel is appropriate for their democracy in the world. In turn, the way that its democratic achievements are perceived elsewhere in the region—particularly across the Taiwan Strait in Beijing—directly affects Taiwan's security and future development in ways never anticipated by the international community. If peace and stability are to be maintained in the Taiwan Strait area, the perceptions underpinning policies involving Taipei and Beijing must be more firmly grounded in reality than in ideological wishful thinking. Only then can the international community faithfully take into account the full significance of democracy on Taiwan.

### IMAGINED COMMUNITY

The people of Taiwan have long endured diplomatic isolation, which essentially began with the withdrawal of the Republic of China (R.O.C.) from the United Nations on October 25, 1971. Under pressure from Beijing, many countries were forced to switch official recognition

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Lee Teng-hui is President of the Republic of China.



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from Taipei to Beijing. The R.O.C. was gradually excluded from most international governmental organizations and maintained formal diplomatic relations with only 29 countries.

After I became president in January 1988, the R.O.C. began to seek a role in the United Nations and other world bodies while stressing that it had no intention of challenging Beijing's status in these organizations. But to this day the authorities in Beijing continue to use every opportunity to isolate my country diplomatically in hopes of turning fiction into reality. It is fiction to claim that the Chinese nation is not divided—and pernicious fiction to assert that the People's Republic of China (P.R.C.) has any right or imperative to claim sovereignty over Taiwan. The attacks that Beijing makes on the legitimacy of the democratic government affront the people of Taiwan and the prevailing values of the international community. Such attacks also threaten world peace and stability.

This is where international perceptions of Taiwan play a crucial role. If the 21st century is to be one not where might makes right but where the rule of law and healthy economic competition provide the basis of lasting world peace, the development of democracy and respect for the right of representation must play a crucial role.

Beijing would have the world fear potential disaster should the people of Taiwan enjoy their inherent right to actual and legitimate representation in international organizations and activities. Day in and day out, the international media duly parrot Beijing's mantra that it "regards Taiwan as a renegade province," as if this were somehow a plausible pretext for the P.R.C. to undermine regional peace and stability in the name of reckless nationalism. Shrill threats from Beijing directed at the "Taiwan authorities," warning that military force would follow a declaration of independence, are faithfully reported as "news."

The only problem with this scenario is that it is not true. The Chinese nation was divided in 1949 when the P.R.C. was proclaimed. Taiwan cannot cause national disintegration, because the Chinese nation is already divided. There is no need to warn against Taiwan's declaring independence because the R.O.C. has been sovereign and independent since its founding in 1912. It does not need to declare independence from the P.R.C., which is a much younger state that exercises effective jurisdiction over a totally different part of the Chinese nation.

### STRAW MEN, IRON FISTS

Beijing has, in effect, set up a straw man by claiming to regard Taiwan as a "renegade province"—over which it has never exercised effective jurisdiction and to which it has no legal claim under international law—so that it has something with which to threaten action whenever the government and people of the R.O.C. seek to exercise their right to representation in the international community. This unstable ideological house of cards is a threat to regional peace and stability.

One vivid example dates from June 16, 1995, when Beijing used my visit to my American alma mater, Cornell University, as a pretext for unilaterally suspending the promising series of talks between the Strait Exchange Foundation (SEF) and the Association for Relations Across the Taiwan Strait (ARATS). Beijing proceeded to "test fire" M-9 missiles in the waters off Taiwan on the eve of Taiwan's presidential



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AP/WIDE WORLD PHOTOS

*Looking for the New Taiwan:*
*President Lee campaigns for reelection, Taipei, March 1996*

election in 1996 to intimidate voters.

Thereafter, the R.O.C. government made more than 100 approaches to the mainland authorities, urging them to resume the SEF-ARATS talks as soon as possible. These overtures were ignored until February 1998, when the mainland leadership finally agreed to resume cross-strait communications. Koo Chen-fu, the chair of SEF, led a delegation to the Chinese mainland in October 1998 and met with Jiang Zemin and other Chinese communist leaders to discuss the future development of cross-strait relations. This visit has put cross-strait relations back on track and paved the way for a resumption of the series of SEF-ARATS consultations.

Nevertheless, these talks cannot be held under the unequal terms on which Beijing has been insisting. Preserving Beijing's tactical straw-man myth of Taiwan as a "renegade province" flies in the face of reality. The R.O.C. has remained a sovereign state since 1912, although its jurisdiction now extends solely to the territories of Taiwan, the Pescadores, Quemoy, and Ma-tsu. Nevertheless, it is the world's 19th-largest economy and its 15th-largest trading country. In the 50 years since the P.R.C. was founded, both sides of the Taiwan Strait have been separately ruled, with neither subordinate to the other. This situation has not changed in any substantive way since 1949.

In 1991, the R.O.C. government demonstrated its goodwill by renouncing the use of force to reunify China, acknowledging Beijing's rule on the Chinese mainland,



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and seeking to replace military confrontation with peaceful exchanges and dialogue. Despite these initiatives, Beijing continues to belittle Taipei as merely a local government. It has also sought to downgrade the status of the R.O.C. government in cross-strait exchanges and to insist on a hegemonistic interpretation of the "one-China principle" to force Taipei to gradually acquiesce to a "one country, two systems" formula. Simultaneously, Beijing has done its utmost to isolate the R.O.C. diplomatically. Consequently, the international community has become accustomed to Beijing's pronouncements while disregarding the obvious fact that each side of the strait is separately and equally ruled.

The facts have been distorted by Beijing and overlooked by the international community for many years. Cross-strait ties now form a "special state-to-state relationship."

Should the R.O.C. government conduct negotiations with the Chinese communists while claiming that we are only a vague "political entity," we would place ourselves in an unequal position that fails to accord with reality. Thus, before commencing any negotiations, Taipei must clearly define cross-strait relations. To engage in meaningful dialogue with the other side and protect the dignity of our country and the interests of its people, the R.O.C. government must reach out to the other side on the basis of reality. When any two states conduct a dialogue, they do so on an equal basis regardless of size or military prowess. There is no reason for the cross-strait dialogue to be any different. Only talks conducted on an equal basis can win popular support.

## BRIDGING THE STRAIT

Cross-strait relations are inherently special because Taiwan and the Chinese mainland share the same culture, historical origins, and ethnic bonds. The people on the two sides engage in myriad social, economic, and other exchanges, a level of interaction not found in any other divided nation.

What is most important is that the two sides are willing to work in concert and consult on an equal basis to pursue the future reunification of China. If the two sides can recognize and appreciate this special relationship, they can transcend political differences and jointly develop a relationship conducive to the peaceful and democratic reunification of the Chinese nation one day.

But several obstacles must be overcome if cross-strait relations are to flourish in the years ahead. First, mutual trust between Taipei and Beijing has not yet been established. Although people-to-people exchanges have expanded since the ban on visits to the Chinese mainland was lifted in 1987, relations between Taiwan and the mainland are still overshadowed by more than four decades of hostility. People in Taiwan remain highly suspicious of the Chinese communists. Opinion polls conducted over the past few years indicate that most Taiwanese believe that the authorities in Beijing are hostile to them and the R.O.C. government.

Second, the mainland authorities' refusal to renounce the use of force as a means to solve the Taiwan Strait issue presents a large, insurmountable obstacle to improving relations. Beijing's hegemonic attitude has intensified the Taiwanese people's negative impression of the mainland authorities and their repugnance for



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the lack of political accountability inherent in the mainland Communist Party dictatorship. Every time the authorities in Beijing have tried to intimidate Taiwan with military force, the percentage of Taiwanese voters advocating independence has increased. Thus, contrary to some inaccurate observations voiced overseas, it is not any of Taipei's actions, but rather Beijing's clumsy attempts at intimidation by belligerent rhetoric and provocative saber-rattling that have intensified the call in Taiwan for declaring independence.

Sadly, Beijing's truculent attitude toward Taiwan and its political accomplishments displays a poor understanding of both Taiwan and the nature of diplomacy. No democratically elected government would enter into negotiations without the consent of its people—especially negotiations that might ultimately affect its domestic political accountability.

Third, five decades of separate rule have caused vast differences between the political, social, and economic systems of the two sides of the Taiwan Strait. Taiwan is already a full-fledged democracy; the Chinese mainland remains under authoritarian rule. Taiwan has long been a market economy; the Chinese mainland is mostly a planned economy closely controlled by the state. The mainland authorities disingenuously argue that reunification has nothing to do with the differences in socioeconomic and political systems between the two sides. In fact, the authoritarian nature of the communist regime is the key factor alienating the people of Taiwan from the Chinese mainland.

It is not in anyone's interest to aggravate cross-strait tensions or see the mainland erupt in chaos. The R.O.C. government has no intention whatsoever of provoking Beijing. Its military strategy is defensive in nature, as are its military forces. This government long ago renounced the idea of force as a means of solving cross-strait disputes and is willing to take a pragmatic approach toward improving relations with Beijing. As a leading investor on the Chinese mainland and a major trading partner with the area, the R.O.C. would like to see the mainland remain stable and its people continue to work toward more prosperous lives. Taipei and Beijing can cooperate to maintain peace in the Taiwan Strait and promote the welfare of all Chinese. Therefore, during the past few years Taipei has made numerous concrete proposals: providing the Chinese mainland with the know-how to fight floods, assisting agricultural improvements on the Chinese mainland, exchanging ideas about reorganizing state-owned enterprises, and cooperating to find ways of coping with the after-effects of the Asian financial crisis. These proposals are aimed at creating a win-win situation for both sides of the Taiwan Strait.

Taipei does not rule out discussing political issues once meetings with Beijing resume on a basis of parity. But priority should be given to outstanding issues that affect people's everyday lives.

Democratic development in Taiwan has now reached the point of no return. The people of Taiwan would never countenance any less-representative form of government. They are glad to see their country willing and able to serve as a responsible member of the international community. For example, the R.O.C. has pledged an aid package equivalent to $300 million to help the Kosovar refugees. The package will provide emergency support for food, shelters, medical care, and



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education for Kosovars still living in exile in neighboring countries. It will also cover the cost of short-term accommodations for some refugees in Taiwan, with job training to help them restore their homeland upon their return.

Of course, democracy on Taiwan is hardly perfect. No democratic system is. Having achieved full democracy in only one decade, the R.O.C. is still in the process of deepening and consolidating its system. Traditional social values have been discarded while new ones have yet to take hold. Taiwan is engaging in educational and spiritual reform to improve the quality of life by promoting cultural development, teaching new virtues and values while rediscovering traditional ones, and developing the sense of civic and social responsibility.

Only nations willing to relinquish the known certainties of old-style authoritarianism for the unknowns of modern democracy can ultimately enjoy the flexibility, efficiency, and transparency necessary to meet the competitive challenges of globalization sweeping the world today. What Taiwan has done in the past decade is remarkable for the speed and scope of its economic and political changes and for the peaceful way in which such changes have been achieved. It is in the best interest of regional and even global peace and stability for Beijing to embrace democracy rather than try to contain it. The international community has a crucial role to play here—first by updating its perceptions of what has taken place on Taiwan and the implications of democratic development here for the region and the world, and then by working to accord Taiwan the international status and role it deserves.


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# Alone or With Others

## The Temptations of Post–Cold War Power

*Robert W. Tucker*

Once again Americans are in a period of increasing contention over foreign policy. There is surely nothing unusual in this. Throughout this century, controversy over the nation's foreign policy has been the rule rather than the exception. Not only has it been provoked by crises and apparent failures, it has seldom been stilled even by success. The sudden and unexpected victory in the conflict with the Soviet Union was soon succeeded by rising criticism of post–Cold War foreign policy. With the end of the Cold War, the argument of critics ran, the world had changed profoundly—but U.S. foreign policy had failed to change with it. Americans remain tied to a past that has become largely irrelevant, prisoners of ideas and policies developed in the long encounter with the Soviet Union.

Yet the present debate has not centered around an immediate and visible crisis. To be sure, there have been divisions over specific issues of foreign policy, but they largely illustrate the broader controversy. The view common to the participants—that the nation's foreign policy is badly in need of correction—is not a response to any specific development that can be considered a major policy failure. Nor is it a response to any imminent significant setback to interest and position. The perceived danger lies in the future, either when (as one side contends) a world that already deeply resents American hegemonism has gained the strength to oppose arrogant U.S. assertiveness, or (as the other side argues) when a world lacking real leadership finds that it no longer enjoys the order that only the exercise of American power can bring.

The central issue in the present debate is a recurring one: whether America should act alone or with others. In employing American power, should efforts bend as far as possible toward acting collectively, even to the extent of making cooperative action a prerequisite for acting at all? Or should the United States take as its guiding principle—however desirable the approval and cooperation of others may be—that in a world as much in need of direction as ever, America has

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no real alternative other than to act alone when necessary to maintain the international order?

Not all the participants in the present debate lay claim to either a unilateralist or a multilateralist position. Some reject what they regard as a too-assertive unilateralism but nevertheless are far from accepting multilateralism as the principle of action. Their position is often anti-unilateralist not in principle but only in the manner it is being practiced.

America's preponderant power has provided the point of departure for many critics. The rising indictment at home as well as abroad of a dominant America is the result not of what this nation has done in the world, but of what it is, for what it is may be expected to determine what it sooner or later will do. And even if this view misreads the American disposition, other nations will still be only too ready to believe that it does not. Edmund Burke's famous warning and lament eloquently summarizes the deeper and persisting current criticism of foreign policy:

> I dread our own power and our own ambition; I dread our being too much dreaded....We may say that we shall not abuse this astonishing and hitherto unheard-of power. But every other nation will think we shall abuse it. It is impossible but that, sooner or later, this state of things must produce a combination against us which may end in our ruin.

Whether the specter of unilateralism is the result of America's position or of its actions remains ambiguous. Presumably it must be found to belong to both position and action, the effort to distinguish between the two being vain.

## IMAGE VERSUS REALITY

It does not follow that the American record in the post–Cold War period is therefore irrelevant. It means only that even if this record does not betray the arrogance and assertiveness that critics insist it does, it still would have elicited much of the anxiety and dread (in Burke's term) that American power and ambition have apparently evoked. In fact, the record does not bear out the harsh indictment increasingly made against America by domestic and foreign critics. At least it does not to the extent that it rests on a comparison with an imagined past when the United States, although exercising its Cold War role as leader of a grand coalition, accepted the constraints of a nascent internationalism.

Of what did America's post–World War II commitment to multilateralism consist? There is, of course, the obligation that the U.N. Charter imposes to act collectively to maintain international peace and security when such maintenance requires the use of force. But this obligation is qualified by the right of the Security Council's permanent members to veto any proposed collective action by the organization. This protected preserve of great-power unilateralism is given expression not only in the veto right but also in the charter provision that accords member states the right of self- or collective defense against an armed attack in the absence of Security Council action.

During the Cold War, successive American governments made use of the United Nations' collective procedures when expedient. They did so most notably at the outset (in Korea) and at the close (in the Persian Gulf) of the drawn-out conflict



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with the Soviet Union. In the intervening decades, the United Nations played no more than a marginal role, if indeed that, in the making of American foreign policy. In determining where, when, and how to employ force, the organization was usually simply ignored. America entered into its one major conflict between the Korean and Gulf wars—Vietnam—with scarcely a nod in the direction of the United Nations.

During the last decade of the Cold War, the relationship between the Reagan government and the world organization reached its lowest point. The Reagan Doctrine, which proclaimed a right to intervene militarily against nondemocratic and particularly Marxist-Leninist regimes, not only ignored the United Nations but in doing so reflected a thinly disguised contempt for it. The unilateralism that plainly characterized the Reagan Doctrine was a de facto rejection of an organization then seen as dominated by states hostile to American interests.

The Bush administration's commitment to a new world order during the Iraq crisis appeared to reverse the Reagan Doctrine's outlook by reviving the order of collective security embodied by the United Nations. The commitment to that order during the Gulf War responded to the need to obtain both domestic and international support for an American-led action. Thus measures taken against Iraq had a multilateral character; their legitimacy was based on resolutions of the Security Council. A unilateralism that resulted from Cold War necessity was replaced by a post–Cold War multilateralism.

But U.S. military intervention in Panama foreshadowed the degree to which the Bush administration could be expected to make its multilateralism dependent on obtaining the right results. Bush made this quite clear following the Gulf crisis in acknowledging that America would have gone ahead to thwart Iraq's invasion of Kuwait even had the Security Council failed to follow through.

American deference to the constraints of multilateralism was more apparent in its behavior toward western Europe. The great achievement of American foreign policy in the postwar period—the Atlantic alliance—came close to becoming something more: a community of power and principle. Yet throughout the Cold War a commitment to multilateralism generally masked the substance of unilateralism. Allies continued to chafe over America's dominant position in the alliance, while America continued to complain over allied unwillingness to bear a greater share of the defense burden.

### EXAGGERATED INDICTMENT

More than any other factor, the disappearance of Cold War exigencies has both prompted and given credibility to the charge of American assertiveness. The unilateralism that critics find in foreign policy today is condemned primarily because of the assumption that it is not a response to necessity—certainly not to the outdated imperatives of the Cold War. But even if this assumption is granted, it does not follow that the nation's foreign policy has in fact increasingly betrayed an arrogant unilateralism. This prospect may have been held out when the Clinton administration took office. The goals of foreign policy then set forth (in Bosnia, Haiti, Somalia, North Korea, and China) were such that their determined pursuit would have required a pervasive unilater-



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alism. But the administration soon backed away from its ambitious goals once the price they entailed—not the least of which would have been serious difficulties with allies—became apparent.

Before the first year of its tenure in office was over, the Clinton administration gave every appearance of relief at the obstacles that it could hold up as inhibiting the use of force. In the years that followed, the United Nations role in determining the circumstances legitimizing force expanded considerably. Pressured by its European allies, the administration accepted this expanded role for the Security Council and thereby may have created significant obstacles for future administrations confronted by the need to employ force and, in doing so, to act alone.

If we move from the United Nations to NATO, the charge of an assertive unilateralism also appears exaggerated. Whether the current administration has ever had a clear idea of where it is going in Europe, let alone why and with what possible long-term consequences, these questions continue to wait for clearer answers than have yet been given. Even so, of concern here is not the administration's deeper design in Europe, but its actions. Has its behavior toward European allies measured up to the indictment frequently made against it? It would not seem so. The principal issues arising in the 1990s were NATO expansion and the Balkan wars. Over neither issue have America's allies seemed particularly aggrieved by an America that threatened to act alone if it did not get its way. In the case of NATO enlargement, they might have been alarmed in view of the pledge given by Washington in early 1998 to support the efforts of the three Baltic states to become members of NATO. That they were *not* testified to the prevailing consensus to date on the issue of expansion.

By contrast, the outset of the war in Bosnia provoked considerable European disagreement with the Clinton administration, which favored restoration of a multiethnic, territorially intact Bosnian state, whereas the European states supported partition—a plan Washington considered rank appeasement. By 1995, an American-dominated negotiation, the Dayton Accord, formally mandated a unified Bosnia under a common government but in effect opened the way to eventual partition. The Europeans, although all but ignored in the negotiations, were content with the results.

Prior to the outbreak of war in Kosovo, America followed an even more multilateral course in that province. Not only did the administration make alignment with Europe—that is, France, Great Britain, and Germany—a requirement of policy, but in contrast to Bosnia, it even subordinated the American role in any Kosovo settlement to the role of the Europeans.

The region that has long provoked the sharpest European cries of American unilateralism is the Middle East. In the wake of the American and British air strikes against Iraq in December 1998, French Prime Minister Lionel Jospin voiced this observation: "The United States often acts in a unilateral way that undermines its ambition of mobilizing the international community. That was clear in the conflict with Iraq." It could only have been a touch of Gallic wit to contend that after the repeated failure of attempts to mobilize broad international support for effective measures against Saddam Hussein—measures that France



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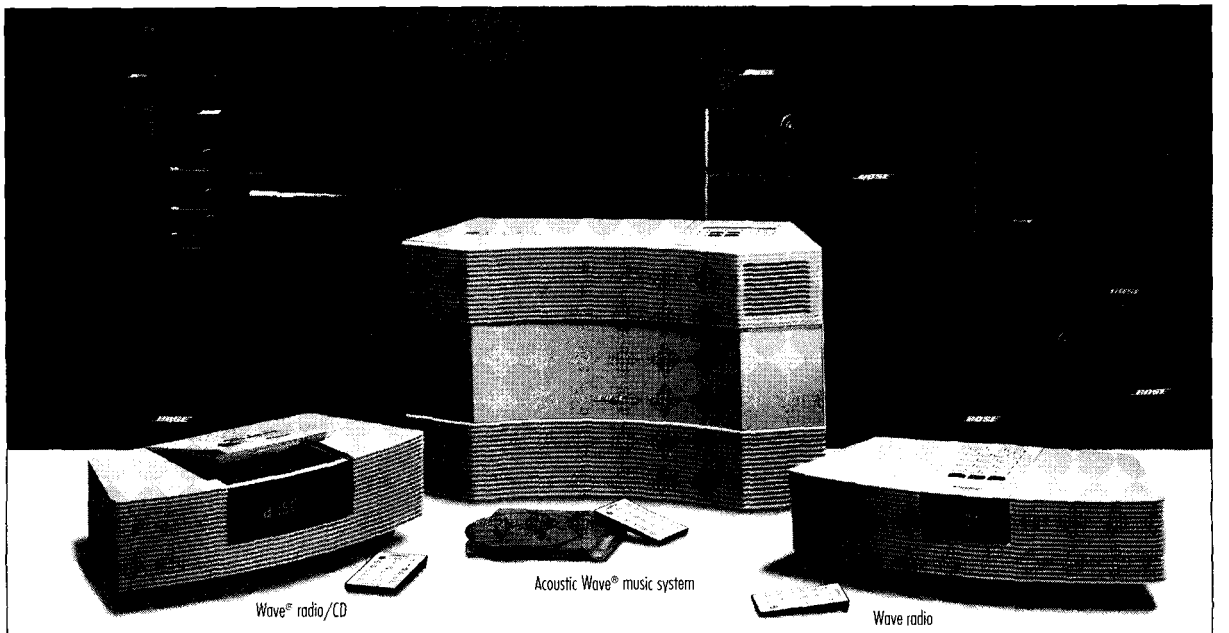


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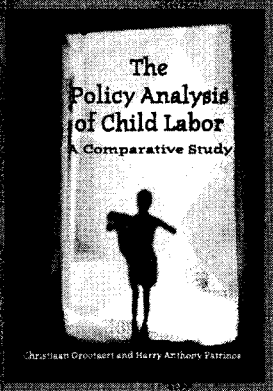


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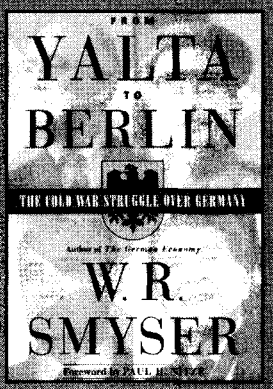


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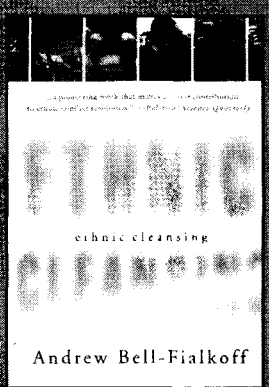


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almost invariably opposed—American unilateralism alone prevented success.

Iraq has been from the beginning the real test of the Clinton administration's willingness to act alone, if necessary, to protect interests deemed vital. Time and again, it has failed that test, whether by refusing to act at all without the U.N. Security Council's sanction or by acting ineffectively when the sanction has been given. This record may be applauded or decried, but it is absurd to find it a disposition to unilateralism.

### POWER AND RESPONSIBILITY

Despite the abuse so often heaped on it, the argument that power creates responsibility continues to express an essential truth. It is a truth that cannot be finessed or wished away by conjuring up a multipolar world in which America would no longer have preponderant power and therefore bear a special responsibility for world order. No doubt, in a truly multipolar world, this nation could expect to play quite a different role. Its responsibility for order would certainly be much more modest. But whether an emergent multipolarity would also be attended by a greater measure of multilateralism is another matter. It might happen—if the fear of destroying the global economic order is as deep and pervasive as is commonly assumed. But the far greater likelihood is that a multipolar world would lead to an international system characterized by far more conflict than exists today.

Some observers expect that a new world is emerging where technology and trade are the great disciplining forces that not only create but guarantee order. But globalization no more satisfactorily answers the issue of relating power and order in today's world than does multipolarity. The former exists but cannot ensure order; the latter might ensure order but does not exist. There seems no escape from the conclusion that America's hegemonic power does create a special responsibility for world order. This is not to say that the need for order will be met, only that if it is met it will be largely through the instrument of American power.

Although the United States remains the principal guarantor of the post–Cold War order, the questions persist: Order of what? In the name of what? In defense against what? Although answers have been given, none has had the compelling character of the Cold War, when a specific great-power threat imperiled the global balance. Accordingly, none can justify the appeal to necessity that Soviet power once justified. This is apparent even with respect to the menace most often invoked in the 1990s—that of lawless, renegade states in possession of weapons of mass destruction and dedicated to the pursuit of aggressive, even terrorist, ends. The difficulties of the United States in eliciting support for more effective sanctions against Iraq testify to the absence of meaningful consensus on the threat held out by proliferation.

In these circumstances, the difficulties of justifying the use of American military power will persist. The conviction is likely to deepen further that, barring cases of self-defense against naked aggression, the legitimacy of force requires the sanction of the institution held to represent the international community. Although the deliberations of the U.N. Security Council cannot simply be ignored at our conve-



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nience, neither can they be seen as indispensable for sanctioning the use of force. The exceptional case apart, the council's requirement of the permanent members' unanimity regarding force will continue to be a prescription for paralysis or an invitation to unilateral action.

The sanction of the international community remaining elusive, the support of a more limited community must be sought. The Western alliance holds out the one real prospect for moderating a dilemma that otherwise promises only to worsen. It is with the states of the alliance that the United States continues to share a community of principle and interest sufficient to bear the onus of the compromises and constraints that multilateralism entails. During the momentary intimacy evoked by the war in Kosovo, the compromises and constraints may seem less than onerous. Yet a serious recasting of the alliance is bound to give rise to consequences that Washington will find unwelcome. The European states may be expected to press America, as they have previously done, to accord greater deference to decisions of the U.N. Security Council. They would in all likelihood use a refurbished relationship to urge the United States to accept a more modest view of the requirements of international order. They would almost certainly urge with even greater insistence that America pursue a more "even-handed" Middle East policy. These promptings would meet with resistance, just as in the past. Nonetheless, they would have to be listened to more carefully than before. With the end of the Cold War, the price of multilateralism has risen.

Is the prospect of a relationship of greater mutuality with Europe to be decried or even resisted? Not if we take Burke's warning to heart. Those who worry about the possibilities held out by America's preponderant power do, after all, have a case that a wealth of experience supports. They may exaggerate the lengths to which this power has already tempted its holders. Even so, they are right about one thing: it is rash to believe that we are alone among nations in being immune from the temptations of power—and that we need no countervailing power to save us from error and excess.



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# Essays

CORBIS-BETTMANN

*A Taliban sapper sweeps for mines, Kabul, Afghanistan, July 1997*

## As chaos seeps through its porous borders, Afghanistan's ongoing civil war has destabilized the region.


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# The Taliban: Exporting Extremism

*Ahmed Rashid*

## REWRITING THE RULES OF THE GREAT GAME

"TALIBANIZATION," the destabilizing export of Afghan-style radical Islam, may be a new term in the American political lexicon. But in Central and South Asia, where the repercussions of the superstrict Taliban rule of Afghanistan have been widely felt, the word has become all too familiar. As political fragmentation, economic meltdown, ethnic and sectarian warfare, and Islamic fundamentalism tighten their grip on Pakistan and much of the rest of the region, the dangerous behavior of Afghanistan's new leaders is no longer a local affair.

More and more, chaos in Afghanistan is seeping through its porous borders. The ongoing civil war has polarized the region, with Pakistan and Saudi Arabia backing the Taliban regime while Iran, Russia, India, and four former Soviet Central Asian republics support the opposition Northern Alliance. The confrontation is producing enormous economic disruption throughout the area, as the Afghan warlords' dependence on smuggling and drug trafficking grows insatiable.

Into the political vacuum left by 20 years of war and the collapse of stable government has marched a new generation of violent fundamentalists, nurtured and inspired by the Taliban's unique Islamist model. Thousands of foreign radicals now fighting alongside the Taliban in

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Afghanistan are determined to someday overthrow their own regimes and carry out Taliban-style Islamist revolutions in their homelands. For example, the Chechnya-based militants who took over parts of Dagestan in July included in their ranks Arabs, Afghans, and Pakistanis, most of whom had fought in Afghanistan. So had the 800 Uzbek and Tajik gunmen who took over parts of southern Kyrgyzstan in August. The state breakdown in Afghanistan offers militants from Pakistan, Iran, the Central Asian republics, and China's predominantly Muslim Xinjiang province a tempting package deal: sanctuary and financial support through smuggling.

Meanwhile, Washington's sole response so far has been its single-minded obsession with bringing to justice the Saudi-born terrorist Usama bin Ladin—hardly a comprehensive policy for dealing with this increasingly volatile part of the world.

For Western nations to presume that they can safely exploit the vast oil and gas riches of Central Asia without first helping bring peace to Afghanistan is unrealistic to the extreme. A new Great Game is being played in the region. At stake, however, are no longer questions of mere political influence or who gets to build oil and gas pipelines where. These issues will be irrelevant unless the West figures out how to stop the spreading conflagration in Afghanistan—and fast.

## THE STUDENTS WHO CAME IN FROM THE COLD

FOR AFGHANISTAN to be at the center of both dialogue and conflict between civilizations is nothing new. The country's location at the crossroads between Iran, Central Asia, the Arabian Sea, and India has given its mountain passes a strategic significance for centuries. At certain times, Afghanistan has acted as a buffer between competing empires and ideologies; at others it has served as a corridor through which armies marched. Repeated efforts to colonize the country, most recently by the British and the Soviets, have failed and in the process given the Afghans a fierce sense of independence and pride.

The United States, patron of the Afghan rebellion against the Soviet invaders, walked away after the Soviet Union withdrew its last troops in 1989. The Afghans, once on the frontline of the Cold War, were left with a devastated country. One million had died during the



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ten-year occupation. But only three years later, when Kabul fell to the mujahideen who had fought off the Soviets, gory civil war again gripped the country, fueled by neighboring countries trying to carve out areas of influence. The civil war has pitted the majority Pushtun population in the south and east against the ethnic minorities of the north—Tajik, Uzbek, Hazara, and Turkmen.

The predominantly Pushtun Taliban emerged in late 1994 as a messianic movement made up of *taliban* (literally, students) from Islamic *madrasahs* (seminaries) who were living as refugees in Pakistan. They vowed to bring peace to Afghanistan, establish law and order, disarm the population, and impose *sharia* (Islamic law). Welcomed by a war-weary Pushtun population, the Taliban were at first remarkably successful and popular. Until they captured Kabul in 1996 they expressed no desire to rule the country. But ever since then—abetted by their Pakistani and Saudi backers and inspired by ideological mentors such as bin Ladin—the Taliban have committed themselves to conquering the entire country and more.

In 1998, the Taliban overran much of northern Afghanistan, pushing the Northern Alliance (made up of non-Pushtun minorities) into a thin sliver of territory in the northeast. This victory further polarized the region, as Iran threatened to invade and accused Pakistan of supporting the Taliban.

The nature of the Taliban—who they are and what they represent—has been difficult for outsiders to understand because of the excessive secrecy that surrounds their leaders and political structure. The Taliban do not issue policy statements or hold regular press conferences. There is no Taliban manifesto. Because of the ban on photography and television, Afghans do not even know what their new leaders look like. The one-eyed Taliban religious leader, Mullah Muhammad Umar, does not meet with non-Muslims and so remains a mystery.

Historically, Afghanistan was a deeply conservative Muslim country where *sharia*, as interpreted by Afghan tribal custom, prevailed for centuries. But the Islam traditionally practiced in Afghanistan was also immensely tolerant—of other Muslim sects, other religions, and different lifestyles. Until 1992, Hindus, Sikhs, and Jews all played a significant role in the country's bazaar economy and sectarianism was not an issue.



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Since 1992, however, the bloody civil war has destroyed this tolerance, setting sects and ethnic groups against one another in a way formerly unimaginable. The once-unifying factor of Islam has become a lethal weapon in the hands of extremists and a force for division and fragmentation.

Ninety percent of Afghans are Sunni Muslims, although Shiites predominate among the Hazaras and some Tajik clans settled in central Afghanistan. Traditional Islam in Afghanistan believed in minimum government with as little state interference as possible. Another key factor contributing to Afghan tolerance was the enormous popularity of Sufism, a mystical and undogmatic branch of Islam.

Before the Taliban arrived, none of Islam's extreme orthodox sects—such as the conservative Wahhabis from Saudi Arabia—had ever found a home in Afghanistan. But the Taliban emerged at a critical juncture, as the country was fractured by warlords, Pushtun hegemony



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dissipated, and an ideological vacuum grew within the Islamist movement. The Taliban began as reformers, following a well-worn tradition in Muslim history based on the familiar notion of jihad—holy war against infidels. Jihad, however, does not sanction the killing of fellow Muslims on the basis of ethnicity or sect. Yet the Taliban has used it to do just that. This appalls non-Pushtuns, who accuse the Taliban of using jihad as a cover to exterminate them.

The Taliban have created a new radical model for Islamic revolution.

The Taliban's anomalous interpretation of Islam emerged from an extreme and perverse interpretation of Deobandism, preached by Pakistani mullahs (clerics) in Afghan refugee camps. Deobandism, a branch of Sunni Islam, arose in British India as a reform movement that aimed to regenerate Muslim society as it struggled to live within the confines of a colonized state. The Deobandis sought to harmonize classical Islamic texts with current realities—an aim the Taliban has ignored.

Early on, a few Deobandi *madrasahs* were established in Afghanistan, but they were not hugely popular. They were more successful in Pakistan, however. Pakistani Deobandis set up a political party, the Jamiat-ul-Ulema-e-Islam (JUI), with a strong anti-American stance.

During the war against the Soviets, the few Deobandi Afghan groups that then existed were ignored. Across the border, however, the JUI used the war to set up hundreds of *madrasahs* in Pakistan's Pushtun belt, offering Afghan refugees and young Pakistanis free education, food, shelter, and military training. These Deobandi *madrasahs,* however, were run by barely literate mullahs untutored in the original reformist Deobandi agenda. Saudi funds and scholarships brought them closer to ultraconservative Wahhabism.

Still, the JUI remained politically isolated until Pakistan's 1993 elections, when it allied itself with the victorious Prime Minister Benazir Bhutto, becoming a part of her ruling coalition. For the first time the JUI gained access to the corridors of power, establishing close links with the army, the Inter-Services Intelligence agency (ISI) and the Interior Ministry. In 1996 the Taliban handed control of training camps in Afghanistan over to JUI factions, thus enhancing their image among the new generation of Pakistani and Arab militants who studied there.



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The JUI and its many breakaway factions have become the main recruiters of Pakistani and foreign students to fight for the Taliban. Between 1994 and 1999, an estimated 80,000 to 100,000 Pakistanis trained and fought in Afghanistan. These battle-hardened militants now gravely threaten Pakistan's own stability, and the support the Taliban receives from Pakistan's Deobandi network, quite separate from military supplies it gets from the government, ensures even greater Taliban penetration into Pakistani society.

The joint venture between the Taliban and the JUI, funded by Saudi Wahhabis and supported by the Pakistani ISI, has become an ever-expanding enterprise, seeking new markets in Central Asia and beyond. The Taliban may have debased Deobandi traditions—but in doing so they have promoted a new, radical model for Islamist revolution. Unlike their predecessors, the Taliban have little knowledge of Islamic and Afghan history, of *sharia* or the Quran. Their exposure to the radical Islamic debate around the world is minimal; indeed, they are so rigid in their beliefs that they admit no discussion.

## THE NEXT TO FALL: PAKISTAN AND KASHMIR

THE TALIBAN'S purist ideology and the Pakistani recruits it has nurtured have had immense cross-border repercussions in Pakistan. An already fragile nation in the midst of an identity crisis, economic meltdown, ethnic and sectarian division, and suffering under a rapacious ruling elite unable to provide good governance, Pakistan could easily be submerged by a new Islamist wave—one led not by established, more mature Islamist parties but by neo-Taliban groups.

By 1998, such neo-Taliban parties had become a major influence in the Pakistani provinces of Baluchistan and the North West Frontier Province. In those regions, they had begun banning television and videos, imposing *sharia* punishments such as stoning and amputation, assassinating Pakistani Shiites, and forcing women to adopt the restrictive Taliban dress code. Their influence is now starting to creep outside the Pushtun belt to Punjab and Sind. Of the 6,000–8,000 Pakistani militants who joined the Taliban for their July 1999 offensive against the Northern Alliance, the majority were, for the first time, not Pushtuns but Punjabis. The Pakistani government's support for



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the Taliban is thus coming back to haunt it, even as Pakistan's leaders remain oblivious of the danger and continue their support.

The contradictions in Pakistan's Afghan policy have become even more acute due to the support given to the Taliban by two extremist JUI splinter groups, the Sipah-Sahaba Pakistan and the Lashkar-e-Jhangvi. Both groups have killed hundreds of Pakistani Shiites and allegedly twice tried to assassinate Prime Minister Muhammad Nawaz Sharif. When Sharif responded with a crackdown against them in Punjab, their leaders took refuge in Kabul and came under Taliban protection—the same Taliban still backed by Islamabad.

Pakistan believes that a Taliban-controlled Afghanistan will be an ally and give its army strategic depth in its ongoing conflict with India. In particular, Islamabad considers support for the Taliban necessary because of its dispute with India over Kashmir. The Taliban, Deobandi groups in Pakistan, and bin Ladin's terrorist network all give major support to Kashmiri insurgents resisting New Delhi's control of Indian Kashmir. Islamabad therefore cannot drop its support for them without affecting the Kashmir cause it espouses.

Yet the increasing Islamicization of the Kashmiri struggle has undermined both the Kashmiris' own demand for self-determination from India and Pakistan's bid to win international mediation of the dispute. The Kashmiri independence movement is losing world sympathy as more and more Pakistani and Arab recruits join the fight and turn it into a Taliban jihad. The longer this goes on, the less chance there will be that the territorial dispute will ever be peacefully resolved. Day by day, the danger grows for Pakistan, Kashmir, and India itself.

## DOMINOES: CENTRAL ASIA, IRAN, AND CHINA

WITH THEIR POROUS BORDERS, weak security apparatuses, and crisis-torn economies, the five former Soviet Central Asian republics—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan—have every reason to fear the turmoil emanating from Afghanistan. The threats include the flow of drugs and weapons and a possible flood of refugees if the Northern Alliance is defeated.

But Central Asia's leaders, who have not changed since the Soviet era, are growing increasingly authoritarian. Their rigged elections and



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AP/WIDE WORLD PHOTOS

*Putting a new face on radical Islam: Afghan women in Taliban-mandated burqas, Kabul, November 1998*

restrictions on political parties have undermined democratic alternatives, leaving underground Islamist movements as the only political opposition. Widespread poverty and unemployment provide a fertile recruiting base for young militants.

During the recent Afghan civil war, the newly independent Central Asian states supported their ethnic kin in northern Afghanistan, who provided a buffer against the spread of Pushtun fundamentalism. That buffer has now been virtually eliminated. The Taliban control Afghan territory bordering Uzbekistan, Turkmenistan, and Tajikistan. Yet apart from Turkmenistan, which has declared itself neutral in the Afghan conflict, these states continue to support the weakened Northern Alliance. Ahmad Shah Masud, the alliance's ethnic Tajik



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military commander, keeps a major resupply base in southern Tajikistan, where he receives arms from Russia and Iran.

Meanwhile, earlier this year, Tahir Yuldashev, the leader of the Islamic Movement of Uzbekistan (IMU), fled to Afghanistan. Yuldashev is allegedly one of the masterminds behind the assassination attempt against Uzbek President Islam A. Karimov in February, when six bombs in Tashkent killed 16 people and wounded 128. In May, the Taliban allowed Yuldashev to set up a military training camp in northern Afghanistan, just a few miles from the border. Multiple sources in the region say he is training several hundred Islamist militants from Uzbekistan, Tajikistan, and Kyrgyzstan, as well as Uighurs from Xinjiang province in China.

By harboring dissidents, Kabul gets its revenge.

Taliban officials deny helping the IMU. Yet in June, the Taliban rejected a request to extradite Yuldashev to Uzbekistan. And in late August, Juma Namangani, another IMU leader, entered southern Kyrgyzstan with some 800 militants, seized villages and hostages, and threatened to invade Uzbekistan. For Central Asians, the war in Afghanistan is now truly coming home.

Although the IMU are not Deobandis, they are influenced by Wahhabism and have tried to impose the Taliban code in their areas of influence. Although Uzbeks have historically been suspicious of the Pushtuns, the Taliban offer the IMU a sanctuary from Karimov's crackdown, weapons, and the means to finance themselves through the drug trade.

Iran is also threatened by the Taliban. The Shiite regime in Tehran has long opposed Pushtun fundamentalism because it is backed by a regional rival—Pakistan—and because it is Sunni-dominated. Moreover, the Taliban are virulently and violently anti-Shiite. During the Afghan war against the Soviets, the Iranians backed the Shiite Hazaras. They have now extended military support to all non-Pushtun groups in the Northern Alliance. Matters came to a head in late 1998, when the Taliban executed 11 Iranian diplomats in Mazar-i-Sharif. Iran threatened to invade Afghanistan, and war was narrowly avoided.

The Taliban now harbor various Iranian dissidents. They have given sanctuary to the small Ahl-e-Sunnah Wal Jamaat, made up of Sunni Iranians opposed to the Tehran regime. And leaders of the principal



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Iranian opposition group, the Iraq-based Mujahideen-e-Khalq, frequently visit Kandahar and have asked the Taliban for an operational base.

China, too, has been affected by the ascendance of the Taliban. Beijing shunned the civil war in Afghanistan until February 1999, when it first made overtures to the Taliban in an attempt to stem the tide of Afghan heroin flooding Xinjiang. The heroin was helping fund Islamist and nationalist opposition to Beijing among the Uighurs and other Muslim ethnic groups. Uighur militants have trained and fought with the Afghan mujahideen since 1986, and Chinese officials say the arms and explosives the rebels have used against Chinese security forces come from Afghanistan. Taliban officials have assured China that they are not harboring fugitive Uighurs, but some Uighur militants are known to be involved with Yuldashev and with bin Ladin—if not the Taliban itself.

The Taliban's reasons for this regional adventurism are a mixture of naiveté, frustration, and ideology. At one level, the Taliban insist that Afghan tribal tradition obliges them to give sanctuary to guests such as the Uighur rebels or bin Ladin. But the Taliban are also furious with Iran and Uzbekistan for their military support of the Northern Alliance. And Kabul is deeply frustrated with its rejection by the international community and the Muslim world, which has refused to recognize the Taliban government. By harboring dissidents, Afghanistan gets its revenge.

"Our prestige is spreading across the region because we have truly implemented Islam, and this makes the Americans and some neighbors very nervous," says Afghan Information Minister Amir Khan Muttaqi. That is putting it lightly. As militants from around the world flock to it for sanctuary, Kabul only increases its support for the wave of Talibanization it hopes to unleash on the region and beyond.

## BLOWBACK

WITH the active encouragement of the CIA and Pakistan's ISI, who wanted to turn the Afghan jihad into a global war waged by all Muslim states against the Soviet Union, some 35,000 Muslim radicals from 40 Islamic countries joined Afghanistan's fight between 1982 and 1992. Tens of thousands more came to study in Pakistani *madrasahs*. Eventually more than 100,000 foreign Muslim radicals were directly influenced by the Afghan jihad.



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The camps in Pakistan and Afghanistan where they trained became virtual universities for promoting pan-Islamic radicalism in Algeria, Egypt, Yemen, Sudan, Jordan, the Philippines, and Bangladesh. Americans woke up to the danger only in 1993, when Afghan-trained Arab militants blew up the World Trade Center in New York, killing six people and injuring 1,000. The bombers believed that, just as Afghanistan had defeated one superpower—the Soviet Union—they would defeat a second.

One of the main recruiters of Arab militants for the Afghan jihad was bin Ladin. As the richest and highest-ranking Saudi to participate in the struggle, he was heavily patronized by the ISI and Saudi intelligence. Bin Ladin left Afghanistan in 1990 but returned in May 1996. Soon he turned on his former patrons and issued his first "Declaration of Jihad" against the Saudi royal family and the Americans, whom he accused of occupying his homeland.

Striking up a friendship with Umar, the Taliban chief, bin Ladin moved to Umar's base in Kandahar in early 1997. Bin Ladin reunited and rearmed the Arab militants still remaining in Afghanistan after the war against the Soviets, creating the "055" brigade. The Taliban had no contact with Arab Afghans or pan-Islamic ideology until then. But Umar was quickly influenced by his new friend and became increasingly vociferous in his attacks on Americans, the United Nations, and the Saudis and other pro-Western Muslim regimes. Recent Taliban statements reflect a bin Ladin–style outrage, defiance, and pan-Islamism that the Taliban had never used before his arrival.

After the August 1998 bombings of U.S. embassies in Kenya and Tanzania, the United States accused bin Ladin of financing terrorist camps in Somalia, Egypt, Sudan, Yemen, Egypt, and Afghanistan. A few days later, America fired cruise missiles at bin Ladin's camps in eastern Afghanistan, killing nearly 20 militants but leaving his network unharmed. Washington demanded bin Ladin's extradition; the Taliban refused to comply.

Bin Ladin's notoriety has created major problems for Pakistan and Saudi Arabia—two key American allies in the region who have recognized the Taliban government. Pakistan is reluctant to help the United States capture bin Ladin; the Saudi terrorist gives valuable help to the Kashmiris and the JUI would protest if Islamabad was seen



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to do Washington's bidding. Already in July the JUI issued death threats to all Americans in Pakistan, to be carried out if bin Ladin is extradited to the United States.

The Saudi dilemma is even worse. Saudi Arabia has helped finance the Taliban and has provided crucial military support for their offensives. But this all ended after the U.S. embassy bombings in Africa. The Saudis suspended diplomatic relations with the Taliban and ostensibly ceased all aid, although they did not withdraw diplomatic recognition and private donations continue to flow. Like Pakistan, Saudi Arabia would like to leave bin Ladin in Afghanistan. His arrest and trial in the United States could be highly embarrassing, exposing his continuing relationship with sympathetic members of the ruling elites and intelligence services of both countries.

## FLOWER POWER

AROUND KANDAHAR, poppy fields stretch as far as the horizon. In Herat, the Taliban have set up model farms where farmers learn the best methods of heroin cultivation. The U.N. Drug Control Program reports that Afghanistan produced 4,600 metric tons of opium in 1999—twice as much as in the previous year. Afghanistan now produces three times more opium than the rest of the world put together. Ninety-six percent of it is cultivated in Taliban-controlled areas, making the Taliban the largest heroin producer in the world.

The Taliban collect a 20 percent tax from opium dealers and transporters—money that goes straight to the Taliban war chest. The Northern Alliance imposes a similar tax on opium shipments crossing into Uzbekistan and Tajikistan. Drug dealers operate the only banking system in the country—offering farmers credit in advance of their poppy crop. This criminalized economy has weakened states throughout the region.

Whereas Afghan opium was exported to the West through Pakistan in the 1980s, there are now multiple export routes through Iran, the Persian Gulf states, and Central Asia. As these routes expand, so do the beneficiaries. U.S. officials claim that, with most of his bank accounts frozen, bin Ladin now finances his operations through opium. Chinese officials report that drug smuggling from Afghanistan is similarly



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funding the Uighur opposition. Uzbekistan's government has drawn a direct drug-smuggling link between Afghanistan and the Ferghana Valley, where the IMU is based. The civil war in Tajikistan was partly fueled by Afghan drugs, and Pakistan's economy has been crippled by them. Furthermore, according to governments in the region, heroin addiction is growing: there are now five million addicts in Pakistan, three million in Iran, and one million in China, largely in Xinjiang.

Meanwhile, the smuggling of consumer goods, fuel, and foodstuffs through Afghanistan is wreaking further havoc. The contraband trade developed in the 1950s, when Pakistan granted landlocked Afghanistan the right to import duty-free goods through the port of Karachi under the Afghan Transit Trade Agreement (ATTA). Many of these imported goods were resold in Pakistani bazaars, but with the opening of Central Asia and Iran and the arrival of the Taliban in 1994, this trade has expanded enormously.

Today Afghan and Pakistani truckers smuggle goods across a huge swath of territory that includes Russia, the Caucasus, Central Asia, Iran, and Pakistan. ATTA was worth only $50 million in the 1980s, but it increased to $128 million in 1992–93 and then jumped to $266 million in 1994–95—the first year of Taliban conquests. A 1999 World Bank study estimates that the smuggling trade between Pakistan and Afghanistan alone amounted to $2.5 billion in 1997, equivalent to more than half of Afghanistan's estimated GDP. Add to that the smuggling to and from the rest of the region and the total rises to $5 billion.

This smuggling has crippled local industry in all the affected states; local factories cannot compete with smuggled, foreign-made, duty-free consumer goods. The smuggling also creates huge losses in customs revenue and sales taxes. According to Pakistan's Central Board of Revenue, Pakistan's losses in 1998 amounted to 30 percent of the government's total revenues of $6 billion. The Taliban tax on the smuggling trade was its second-largest source of income after drugs.

New transport and smuggling mafias have developed in Turkmenistan, Uzbekistan, Tajikistan, and Iran. They are ignored by their governments, due to a web of corruption that benefits everyone from border guards to cabinet ministers. Not surprisingly, all these transport mafias are keen supporters and major funders of the Taliban. And this illegal economy is only expanding, since Afghanistan's formal



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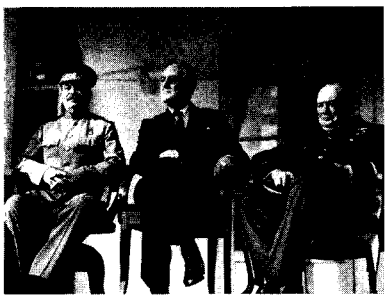

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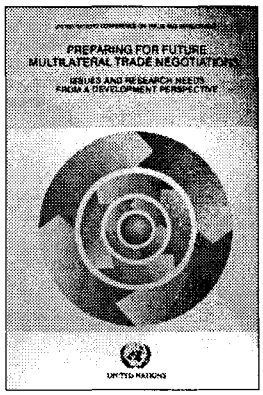
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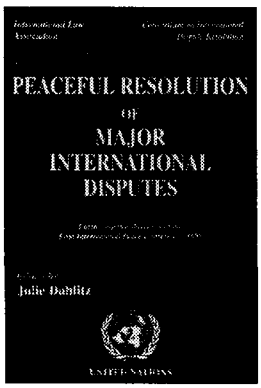


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one remains nonexistent. The Afghan infrastructure is devastated, health care and education are virtually absent, and abject poverty is rampant. Afghanistan today has 6 working factories, compared to 220 in 1979. Fighting and smuggling offer the only employment.

## AND THE WEST SLEEPS ON

AFTER PROVIDING billions of dollars' worth of arms and ammunition to the mujahideen, the United States abandoned Afghanistan once Soviet troops withdrew. America gave its allies in the region, Pakistan and Saudi Arabia, a free hand to direct the ensuing Afghan civil war.

After the end of the Cold War, Washington never developed a new strategic framework for the area. The United States dealt with issues as they came up in a haphazard, piecemeal fashion, pursuing constantly changing single-issue agendas that were driven more by domestic American politics than the goal of ending the civil war. Afghanistan's neighbors took note of U.S. reluctance to get involved and stepped up arms supplies to their Afghan proxies.

What the United States needed and still needs to do is to put serious pressure on neighboring states to halt the supply of arms into Afghanistan—beginning with local U.S. allies such as Pakistan, Saudi Arabia, and Uzbekistan. That may convince Iran and Russia to do the same. If the flow of weapons ceases and drug exports are curtailed by united regional resolve, the Afghan warlords will see their main sources of support dry up and may then be forced to negotiate an end to the war.

This is the track that the U.N. mediator for Afghanistan, Lakhdar Brahimi, has pursued for the past two years. His lack of success has been directly related to the lack of Western pressure on neighboring states to end their interference. Most Afghan civilians still believe that Americans hold the key to ending foreign interference. Despite Washington's record, there is still enormous goodwill for America among ordinary Afghans. But until the United States demonstrates that it has the determination to mobilize an international effort for ending outside interference, Afghanistan's chaos will only spread. Terrorism will develop new adherents there. The drug trade will expand. These are costs that no country—not Afghanistan, the United States, its allies, China, or Iran—can hope to bear.



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# Kashmir: Fundamentalism Takes Root

*Jonah Blank*

## A BROKEN PROMISE

In Srinagar's Lal Chowk, the most volatile bazaar in the most volatile city in India's most volatile state, life is as normal as life here ever gets. Merchants and marketers haggle over the price of bruised apples, auto-rickshaws jockey with oxcarts for passage through the bustling alleyways, and soldiers gaze lazily through the gun-slits of their sandbagged bunker. There's a rumor that the separatist leader Shabbir Shah will hold a rally at noon, but nobody seems particularly interested. It's almost time for lunch.

Much closer to schedule than might be expected, Shah marches in with a few dozen placard-waving, slogan-shouting supporters. Almost instantly the procession turns into a melee: riot police with helmets and shields stream out of an armored van, beat the protesters back with heavy bamboo canes, and flood the square with billowy white clouds of tear gas. The rally is over in a matter of moments. The demonstrators are dragged, choking and retching, off to jail; the bystanders are left to gag, sputter, and dash blindly for water to wash the burning, blistering pain from their eyes and throats. Within 15 minutes the shopkeepers have returned to their stools, the police to their posts, and the porters to their handcarts—all still looking forward to their midday meal.

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Jonah Blank, an anthropologist, is the author of *Arrow of the Blue-Skinned God: Retracing the Ramayana Through India* and a forthcoming study of fundamentalism and Muslim identity entitled *Mullah on the Mainframe: Islam and Modernity Among the Daudi Bohras.*



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Almost exactly half a century ago in Lal Chowk, aging locals recall, Indian Prime Minister Jawaharlal Nehru renewed his promise that Kashmiris would decide their own future.

## ATOMIC DJINN

Now, with both India and Pakistan brandishing atomic weapons, it is Kashmiris who may decide the future of the entire subcontinent. This summer's battle in the mountains over Kargil was history's first direct combat between two nuclear powers. Every border skirmish between India and Pakistan now carries the potential—however remote—for catastrophic escalation, and in Kashmir, such skirmishes are a daily fact of life. There will be no safety for either state without stability in Kashmir, and there will be no stability in Kashmir without the cooperation of its people. The diplomats may forge a framework for nuclear détente and even find a mutually agreeable way of divvying up the prime Himalayan real estate, but any deal imposed from the top down will be a ball of plutonium just short of critical mass.

The Kargil infiltrators were driven from their icy aeries by Indian arms and world pressure, but even in defeat they accomplished their real goal: to put Kashmir squarely in the international spotlight. India refuses to accept outside involvement and the West has so far been happy to oblige, but the prospect of nuclear exchange makes Kashmir too dangerous to ignore. That this fact—repeated like a drumbeat by local separatists and Pakistani diplomats alike—conveniently fits the agenda of those who oppose India's rule does not make it any less true. Conjure a nuclear djinn fervently enough, and sooner or later it is likely to appear.

But Kargil may also, paradoxically, have laid the groundwork for a stable peace. Demonstrating the dangers of the status quo may jolt New Delhi and Islamabad out of their complacency. Politicians in both capitals see only the Kashmir they wish to see: for Pakistanis, a Muslim land pining to join its Islamic neighbor and welcoming the intervention of mujahideen; for Indians, a state ravaged by terrorism and sedition but now largely brought under control. Both visions are clouded by self-delusion. In the Valley of Kashmir (the main area under contention) the population remains profoundly alienated from the Indian government and the radical Islamist guerrillas alike.



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Defeat is a better teacher than victory. Pakistan presumably has learned that military adventurism backed by nuclear bluff is not the best way to salvage its failing economy—and the International Monetary Fund (IMF) will use its $5.5 billion bailout package to make sure the message gets through. But what lesson will India take from Kargil? If the Hindu nationalists of the Bharatiya Janata Party (BJP) reelected in October use their new mandate merely to strengthen defense, they will miss a rare opportunity to regain the trust, rather than the cowed compliance, of Kashmir's people. By defeating Pakistan's Kargil incursion and showing the self-restraint not to launch a counterattack, India bought itself both military and diplomatic breathing space.

It is not too late for Indian Kashmir to regain the basic (if uneasy) calm it enjoyed for almost 40 years. The example of another war-torn province is instructive. For nearly a decade following the 1984 desecration of the Golden Temple, the Sikhs of Indian Punjab were just as alienated as the Muslims of the Valley, and the Khalistani rebels given arms and sanctuary by Pakistan had at least as much popular support as do current Kashmiri militants. Today, after government efforts have mitigated the human-rights abuses, political ham-fistedness, and rampant humiliations that stoked separatist furor, Punjab is peacefully ensconced in the Indian union again. If it can happen in Amritsar, it can happen in Srinagar.

But it will not happen simply through government-to-government negotiations, let alone the sort of domineering, high-handed policies that spawned the insurgency in the first place. India has consistently rebuffed offers of mediation, whether by the United Nations, the United States, or any other third party, arguing that solutions must arise locally, without the meddling of foreign powers—no matter how well-intentioned. Quite so. Valley Muslims feel exactly the same way about fiats imposed by Delhi. Answers will have to be found in Kashmir itself—and after 25,000 deaths in one decade, the Kashmiris' patience is wearing thin.

## SEASONS OF WAR

KASHMIR WAS one of the loose ends left dangling when the British Empire unraveled. At the time of the 1947 partition of the subcontinent into India and Pakistan, more than 560 princely states had to



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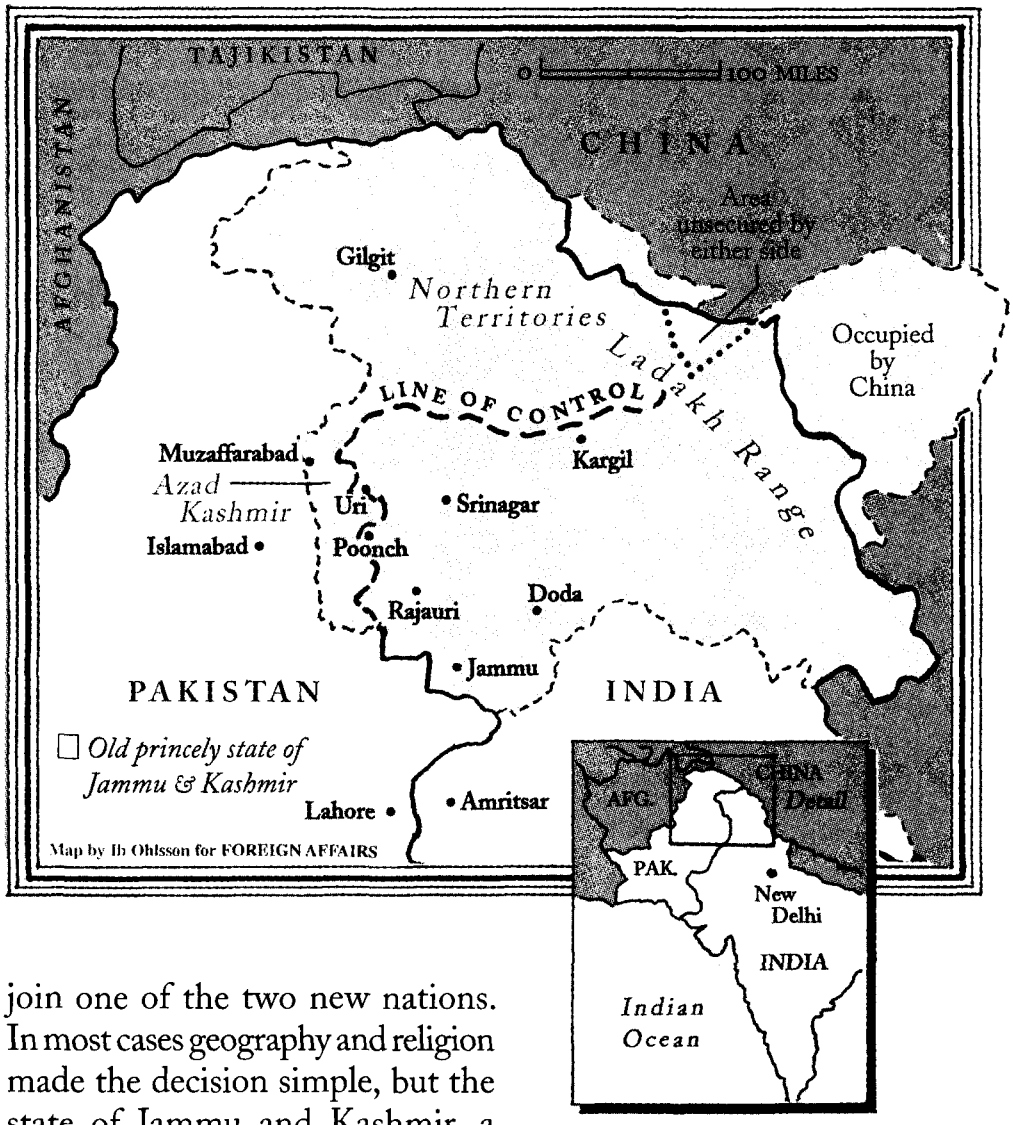


join one of the two new nations. In most cases geography and religion made the decision simple, but the state of Jammu and Kashmir, a colonial-era patchwork, had a Muslim-majority populace and a politically naive Hindu ruler. Hoping for independence from both India and Pakistan, Maharajah Hari Singh delayed choosing sides for months—until he was shaken from his free-agent fantasy by an invasion of Pushtun tribesmen. In a presaging of Kargil, Pakistan claimed the fighters were independent mujahideen helping a local insurgency, while India maintained (with greater credibility, then as now) that the invaders were Pakistani irregulars. Helpless to oppose them, Hari Singh agreed to join the Indian union. Nehru airlifted Indian troops to the region and drove the invaders back to what is now the Line of Control, the de facto border between the two countries.



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Under the terms of 1948 and 1949 U.N. resolutions, Pakistan was to withdraw its forces from the entire area of the old princely state, whereupon India would reduce its troops to a bare minimum. An internationally monitored plebiscite would then determine which nation Kashmir would join.

None of it ever happened. About a third of the contested area was absorbed into Pakistan as Azad ("Free") Kashmir and the tribal Northern Territories. The fabled Valley of Kashmir—the heartland commonly used as shorthand for the whole region, a place rightly described as an earthly paradise by Mughals, maharajahs, and mujahideen alike—remained in Indian hands. Given considerable autonomy by India's constitution, all of Hari Singh's domains under Indian control were incorporated as the state of Jammu and Kashmir. Although Jammu is predominantly Hindu, and Ladakh (culturally and ethnically linked to Tibet) is largely Buddhist, the overwhelming numbers of Muslims in the Valley make the combined territory the only Muslim-majority state in India.

For the better part of four decades this compromise—autonomy but not *azadi* ("independence"), political freedom but only within certain bounds—proved tolerable. The only genuinely popular Kashmiri leader of the time, Sheikh Muhammad Abdullah, spent much of this period shuttling between a jail cell and the chief minister's office, depending on whether he was advocating independence or cooperating with Indian authorities. To the chagrin of many Kashmiris in years to come, India and Pakistan agreed in 1972 to settle the Kashmir question through bilateral talks.

Despite clashes between the Pakistani and Indian armies on Kashmiri soil during the 1965 and 1971 wars, a grassroots insurgency did not arise until 1989, seven years after the death of Sheikh Abdullah. The popular uprising stemmed from a series of rigged elections, culminating in what was seen as a backroom sellout between Nehru's grandson, then–Indian Prime Minister Rajiv Gandhi, and Sheikh Abdullah's son, the current chief minister, Farooq Abdullah. The group at the center of the rebellion was the Jammu and Kashmir Liberation Front (JKLF), and the man who led it was Yasin Malik.



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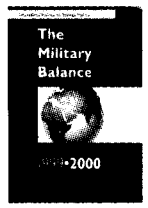


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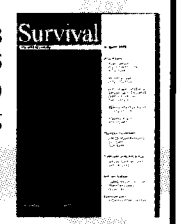


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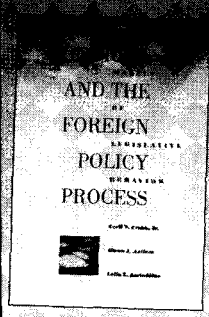


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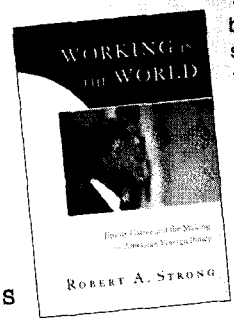


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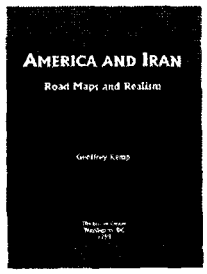


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## REBEL REBEL

"We took up the gun to bring Kashmir to the world's attention," says Malik, chain-smoking Gold Flake cigarettes at ten o'clock in the morning. "Once that goal had been accomplished, we ceased armed struggle." He is a thin, lanky man who seems almost catatonic despite constant infusions of nicotine. Malik squats on the floor of his tiny, unheated sitting room, cradling a wicker basket of charcoal embers under his long wool cloak. His wife serves *kahwa,* a Kashmiri tea yellow-hued from strips of saffron, delicately perfumed with cardamom and slivers of almond.

A large poster of the Kaaba, Islam's holiest site, takes up most of the wall above Malik's head. The JKLF leader is an observant Muslim but has always argued for an independent, multireligious state based on *Kashmiriyat*—a unique cultural sensibility shared by the region's Muslims, Hindus, Sikhs, and even some Buddhists. Kashmiri Muslims practice Sufi Islam, a mystical, undogmatic form of the faith that fundamentalists generally dismiss as barely distinguishable from Hinduism. The pull of *Kashmiriyat*, an attitude seeped in Sufism, was stronger before civil strife drove a bloody wedge between the communities. But most observers agree that if a plebiscite were held today, residents of the Valley (if not Jammu and Ladakh) would still opt for independence from both India and Pakistan.

This is the goal for which the JKLF ambushed soldiers and killed government employees, the goal for which Yasin Malik spent seven years under lock and key. He was released in 1994 when his organization unilaterally renounced armed struggle. (A JKLF splinter group that rejected the decision was wiped out by security forces.) Malik has continued to advocate independence, but his words have less impact than did his bullets. The U.N.-mandated plebiscite would have let Kashmiris choose only between union with India or Pakistan. Both countries categorically reject the option of *azadi.* With potential breakaway provinces from Nagaland and Assam to Baluchistan and Sind, neither country can afford to set a precedent.

Perhaps the hope for independence of Yasin Malik, Sheikh Abdullah, and Maharajah Hari Singh will always remain a pipe dream. Abdul Gani Bhat, an opposition leader who was once a professor of Persian



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poetry, sees independence as a fine-sounding impossibility: "Bigger fish," he says, "swallow smaller fish quite comfortably." His very metaphor is an example of *Kashmiriyat*: it comes not from any Islamic source but from Hindu texts as ancient as the *Ramayana*.

## PAKISTAN'S PARTISANS

THE VOLUNTARY DISARMAMENT of the JKLF ended the grassroots revolt; once the *azadi* movement was effectively declawed, popular enthusiasm for the rebellion withered. Partisans of union with Pakistan were the only groups left in the fight.

For five years now, the rebels with clout have been cut from the same cloth: based in Pakistan, trained in Afghanistan, and motivated by pan-Islamic fundamentalism rather than Kashmiri nationalism. Their ranks filled with Punjabis and Pushtuns, Afghans and Arabs, many of the fighters wage war on behalf of a people whose language they do not even speak. According to Western military analysts, all four of the main rebel groups work closely with the Pakistani intelligence services, over which civilian authorities, including the prime minister, had only tenuous control. Pakistan claims to provide the rebels only "moral and diplomatic" support, but even on the streets of Lahore few believe it.

The solidly pro-Pakistan chair of the All Parties' Hurriyat ("Freedom") Conference, an umbrella organization composed of two dozen Kashmiri opposition groups, is less than wholly enchanted with his patrons. "The diplomats in Islamabad and Delhi shake hands, take lunch, snap photos, and then announce that they have made no progress," says Syed Ali Shah Geelani, a genial, white-bearded cleric. In his book-lined Srinagar study, he beckons a visitor to join him beside the ancient wood-burning stove. "Why is America concerned about the rights of Kuwaitis, but not of Kashmiris?" he asks. "Unfortunately, we have no oil. Only human blood."

Syed Geelani is reluctant to criticize the fundamentalist groups fighting his battles, but he cannot wholly hide his concerns. If the insurgents liberate Sufi Kashmir from India, I ask, doesn't he worry they'll impose the Taliban-style theocracy that their leaders (like Lashkar-e-Toiba founder Hafiz Muhammad Saeed) have been



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promising? "There is no compulsion in religion," Geelani replies, after some thought. But his quotation of the Quranic verse sounds less like an assurance than a prayer.

## ENTERING PARADISE

IN THE FIVE YEARS since the uprising's apex, security precautions in the Valley have gone from tight-as-a-noose to merely tight-as-a-straightjacket. On my most recent pass through Srinagar's airport, I was subjected to only six full-body searches, whereas in 1995 I'd endured ten.

Men in olive-drab flak jackets with ceramic breastplates are still ferried from one part of town to another in armored personnel carriers. Cinder-block bunkers still dot downtown street corners, draped in layers of camouflage netting to ward off the odd hand-grenade. But the houseboats on Dal Lake, long empty of tourists, now trot out their anachronistic Anglophilia: boats with names like *HMS Pinafore*, *Buckingham Palace*, and *Balmoral Castle* float alongside the no-less-optimistic *New Life*.

"From Here Begins the Happy Valley Where the World Ends and Paradise Begins." So says a sign on the road from Srinagar to Uri, a garrison town sitting right on the Line of Control. The "Happy Valley" is Gulmarg, once a tourist magnet, then a hotbed of sedition, now not much of either. Every morning Indian sappers prepare the Srinagar-Uri highway for the daily deployment of troops. With metal detectors and bomb-sniffing dogs, they painstakingly sweep every foot of the 70-mile road, day after day, from dawn to eight a.m., and dig up any land mines planted during the night.

Members of the security forces—overwhelmingly Hindu, many from distant parts of the subcontinent—generally have little contact with the local populace apart from searches and interrogations. In casual conversation they often use the words "Muslim" and "terrorist" interchangeably. There is a sense that they are in the Valley not to protect Kashmiris, but to keep them in line. It is a sense the Kashmiris feel keenly.

Human-rights organizations say that beatings, tortures, and custodial killings have ebbed and flowed with the insurgency, diminishing in the Valley as they escalate in Jammu. But brute force has given way to



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routine intimidation. Nearly all the Valley's Muslims tell tales of petty insults, the sort of treatment that produces seething resentment rather than explosive outrage. Almost every motorist, for example, has been detained on charges that boil down to Driving While Kashmiri.

Outside the town of Pattan I pass a car that has been stopped at a police checkpoint. In front of his whole family—wife, children, and mortified aunt or mother—the driver is squatting down and hopping in place. "Like a rabbit!" the policeman shouts at him. "Jump like a rabbit!"

"*Kya mamla hai?*" I ask. What's going on?

When signaled to pull over for a search, the cop replies, the man didn't comply quickly enough.

The driver, a well-dressed man sufficiently prosperous to own a shiny new Maruti sedan, stares far into the distance, his face a mask of stone. He keeps on hopping. The officer has not yet given him permission to stop.

## STAYING ALIVE

For the inhabitants of Uri, degradation is a less-pressing concern than staying alive. Like thousands of Kashmiris in hundreds of villages along the Line of Control, they reside in an artillery range. Mortar duels are a ritualized exchange: One side starts shelling (either to cover or to discourage militant infiltration), and then the other is honor-bound to reply. The summer after the nuclear tests, a single week saw more than 120 deaths on the Indian side of the border and 75 on the Pakistani side. The hospital at Uri, Dr. Bashir Ahmad recalls, barely had enough floor space for the wounded.

"Hospital" is somewhat of a misnomer: the ramshackle building has no medical equipment to speak of, and none of its three doctors is a surgeon. The admitting room looks more like a railway ticket counter, with an unruly pack of patients trying to argue or elbow their way to the front, a sort of triage-in-reverse where the strongest and most vociferous are the first to be seen. The hospital, Ahmad says, is the only medical facility available for 100,000 villagers.

The Indian government could resettle the villages, but it does not want to see more Kashmiris pulling up stakes. The Valley has suffered one mass exodus already.



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"I used to be a bus driver," says Manohar Lal, a gray-haired man in a pink wool vest. "I drove routes all over the state. Now I can't walk 50 meters from my house." Lal's family is one of 200 Hindu households sheltered at the Indian army's Third Battalion headquarters, about 10 miles from the front lines. The Hindus of the Valley, most of them Brahmins belonging to the Pandit caste, had lived at peace with their Muslim neighbors for generations. "We used to be *bhai-bhai* (like brothers)," Lal says. "Now there are no Hindu passengers, and if I drive to a Muslim village I'll never drive back."

In the early 1990s, Islamist militant groups began terrorizing the Pandits into flight. Unable to defend such a widely spread community against guerrillas who could easily melt into the general populace, the government set up camps in Jammu and Delhi for Pandits and tried to maintain the fiction that 135,000 refugees—virtually the entire Hindu population of the Valley—would one day go back home.

The prospect of Hindus being expelled from the Valley en masse would have seemed far-fetched only a dozen years ago. Kashmir had been a showcase for the ability of Hindus and Muslims to live in harmony, and even for the viability of India as a secular, multireligious nation. The architect of such an India, Jawaharlal Nehru, was himself a Kashmiri Pandit.

## BEYOND THE VALLEY

In 1998, the center of the insurgency shifted from the Kashmir Valley to Jammu, particularly the Muslim-majority areas of Poonch, Rajauri, and Doda. In the Valley, locally based militants tended to target soldiers, police officers, and government agents. In Jammu, fighters with fewer ties to the populace have been less discriminating, massacring ordinary civilians without compunction. Within days of the Pakistani withdrawal from Kargil, guerrillas slaughtered 20 Hindus in three Jammu villages. The previous two weeks had seen at least two dozen other grisly executions, including those of a 100-year-old man and his 90-year-old wife. The insurgents have also trained their gunsights on military targets, but the villagers of Jammu remain caught in the crossfire. In 1998 guerrillas launched more than 90 attacks in the Doda district alone, and may well set a new record this year.



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The Doda district is about three times as large as the entire Valley of Kashmir but has only one-tenth as many roads. It is almost completely mountainous, with settlements strung out along hillsides rather than clustered in compact, easily defended villages. The terrain is a playground for guerrillas, a proving ground for police.

"The militants are fewer than in the Valley," says Muneer Ahmed Khan, superintendent of police for Doda, "but they are better armed, better equipped, and more ruthless than ever." Khan, a Valley Muslim himself, should know: while serving in his native territory, he had a bounty of one million rupees (about $25,000) on his head.

Since the terrain is all but indefensible by standard means, local inhabitants have been organized into government-sponsored Village Defense Committees. Although Doda's 800 units together contain about 6,500 members, each hamlet has only a dozen or so defenders. And these few villagers are thoroughly outgunned. Their standard weapon is the Lee-Enfield .303, a World War II–vintage rifle that holds six bullets. Guerrillas usually carry fully automatic AK-47s or AK-56s with 20-round banana clips, often accompanied by rocket-propelled grenades and heavy machine guns.

The guerrillas target Hindus to stoke communal hatred but are just as willing to kill unsupportive Muslims.

Outside the Doda police station, a man drops his salwar trousers and asks me to examine his buttocks. I decline, so he presents his evidence without visual aids. "This is what the terrorists do," says Ghulam Haider, leader of his hamlet's militia. "These scars are from a grenade. They threw it while my back was turned." Haider knew the guerrillas were radical Islamists from Pakistan: he'd spoken with them a few days before the raid. Join us, they said, or die. A Muslim who had protested the Gulf War by naming his son Saddam Hussein, Haider refused to be intimidated. When the militants returned, they killed Haider's brother, his daughter, and a six-year-old boy named after an Iraqi who had committed more than a few murders himself.

A dozen other militia members, all waiting to petition the superintendent for better arms, nod their heads and add their own stories. Like the people in their hamlets, they are a cross-section of Hindus, Muslims, and Sikhs. The guerrillas target Hindus in an attempt to



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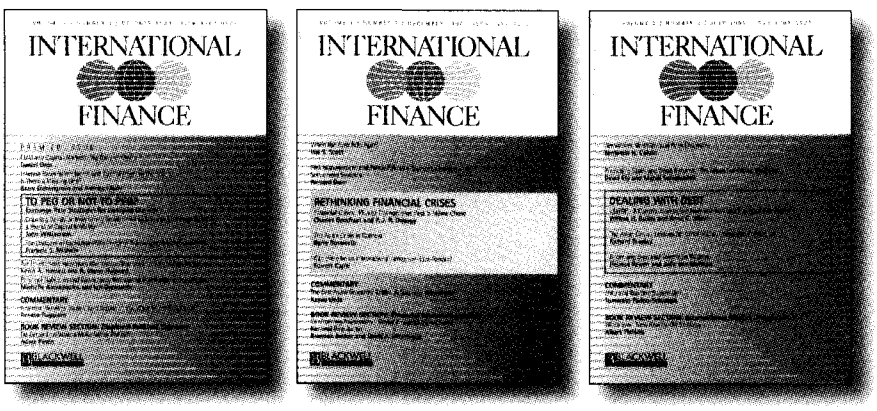


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stoke communal hatred, but are equally willing to kill any Muslims they deem insufficiently supportive. So far, however, the violence here has not led to religious polarization: in most of Doda's villages, one sees signs for tea-stalls and provisions shops in both the Perso-Arabic script of Urdu and the Devanagari of Hindi. Neighbors of different faiths still seem to live as brothers, *bhai-bhai*. But a decade ago the same was true in the Valley.

In Kashmir, no one's hands are clean. The Village Defense Committees, locals and outside activists say, are victimizers as often as victims. If militias suspect a person of providing aid to the rebels, action can be swift and pitiless. Patricia Gossman of Human Rights Watch has been chronicling the abuses of guerrillas and government agents for a decade. Indian security and paramilitary forces are responsible for hundreds of custodial killings, tortures, and rapes every year, Gossman says, and since 1998 the bulk of these have been perpetrated by army units—and village militias—in Jammu.

Local inhabitants often acknowledge as much. When authority figures are safely out of earshot, Doda residents tell stories of defense committees acting as unchecked vigilante squads, of massacres stemming from unrelated property disputes and clan rivalries, all hushed up or categorized as casualties of war.

When I ask to interview guerrillas held in the Doda jail, Police Superintendent Khan says that he has none in custody. Any confrontation, he explains, generally ends in a firefight to the death.

## RONIN

THE GOVERNMENT'S real success came not from fighting militants, but from maneuvering militants into fighting each other. The tide was turned in 1994 and 1995 by the recruitment of local "renegades"—former insurgents who defected in exchange for the government's turning a blind eye to their past (and, in many cases, ongoing) misdeeds.

The most powerful of these former rebels is Javaid Hussein Shah, an immaculately tailored warlord who has his own business card. Wearing gold-rimmed glasses, a gold pen in the pocket of his elegant pinstriped suit, a gold ring on his finger, and a diamond-studded gold watch on his wrist, Shah radiates authority and confidence. With



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good reason: apart from the Indian government itself, he has more fighters under his control than any other group in Kashmir. For four years, the dapper Shah had led three pro-Pakistan militias. But after his first visit to Pakistan (he tells me, over tea at his heavily guarded compound in the heart of Srinagar) he became disillusioned with his patrons. At a training camp near Gilgit, his fighters were used as manual laborers, treated like hired hands rather than brothers in arms. "We took up the gun for jihad," Shah says, "but we found we were just tools."

Now the former renegade leader serves as the eyes and ears of the Indian state. His 1,827 armed followers all have the status of special police officers (SPOs) and receive government salaries in addition to the retainers he pays them. "We act as a bridge, to help the militants surrender," he tells me. And some militants require more "help" than others. Shah's private cadre is armed purely for defense, he says. "But if somebody throws a bullet at you, you can't just toss back a flower."

Although Shah and his followers have done well for themselves, not all renegades are so lucky. When the insurgency began collapsing, many footsoldiers found themselves trapped in the rubble. Kashmir is full of such *ronin*, masterless warriors reduced to the rank of mercenaries. Most SPOs fall into this category: once-proud mujahideen now eking out a miserable existence on the payroll of their former enemy. Kashmir is full of angry, alienated, answerless young men like Mahmud Altaf Khan.

"The politicians admit that we won their war," Khan complains, "but what thanks do we get?" An SPO assigned to escort me from one military checkpoint to the next, he began venting his frustrations as soon as the car door had shut. "We're paid only 1,500 rupees (about $35) per month—when our salaries are paid at all."

It's only in a place like a car, with the door shut, that men such as Mahmud Khan can speak freely. Their revolutionary comrades put them on a hit list as soon as they defect. Their neighbors treat them like turncoats. And the government, their new employer, often does not even trust them with rifles. After four years as an SPO, Khan still has not been issued a gun. The only time he has been permitted to handle a weapon was during his few weeks of training. Even then, instructors saved ammunition by allowing each renegade to fire only five rounds.



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"We would like to join the army, the regular police, anybody," Khan laments. He became an SPO, he says, for the same reason he became a guerrilla: he needed a job.

## GUNS AND BUTTER

JOBS, apart from the obvious theme of nuclear threat, are perhaps the most common leitmotif in conversations about Kashmir. The need for jobs is the only point on which the chief minister, the Hurriyat chair, and just about everyone else in the state agree. Whatever political arrangement is worked out, all say, Kashmir will need investment and jobs-creation programs on a massive scale. The economy is now propped up by "khaki industries" like military construction and garrison supply for several hundred thousand homesick soldiers. The war has to go on: it is all that keeps the province afloat.

Kashmir's greatest resource is its natural beauty. Prior to the uprising, the economy relied heavily on tourism—an industry that can be shut down at any time by the type of periodic terrorist acts that are virtually impossible to eliminate. So a vicious cycle became a cycle of viciousness: guerrilla attacks shut down tourism, creating a generation of young men employable only as guerrillas.

"If I cannot safeguard human life," Chief Minister Farooq Abdullah says grandly, "I have no right to be the government." But Farooq Abdullah *is* the government, and human life is not safeguarded. The chief minister passionately defends the suppression of the Lal Chowk rally a week earlier, and is unabashedly pleased that several journalists tasted the tear gas and felt the batons. "This [protest] is all stage-managed," he says, a play put on by the separatists for the benefit of the media.

In that respect he is absolutely right: it's no coincidence that the Lal Chowk rally took place right beneath the one-person office of Agence France-Press. But there was never any pretense of spontaneity, no question but that this march would be shut down with harsh efficiency, like hundreds before and since. The procession's very futility was its statement: We have no faith in the state, no faith in elections, no faith in any solution from above.

The Indian government has bought off or fought off any true grassroots leaders, and now finds itself with no credible negotiating partner.



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The Hurriyat boycotted this fall's national elections (since the beginning of the insurgency they have argued that participation would only ratify the existing order) so the chief minister won a meaningless victory. India has latched onto the opposition's refusal to field candidates as proof of its weakness, and the Hurriyat is certainly too chaotic to present any unified front. But the view expressed to me by Yasin Malik is widely held throughout Kashmir: "Farooq Abdullah," the separatist said dismissively, as if stating a truth too plain to merit debate, "is a little puppet of Delhi."

What can India do to regain the support of the Kashmiri people?

What can India do to regain the trust of the Kashmiris? A sweeping reform of human-rights abuses, a willingness to discuss solutions rather than to impose them, and a significant infusion of money to build industry and create jobs—these will not guarantee success, but they would go a very long way. "We rule nothing out—all we ask is to be included," says Mirwaiz Umar Farooq, a Sufi cleric and former Hurriyat chair. "We must be parties at the table, for no solution can work without the support of the people." India has a choice: turn moderates like the mirwaiz into allies, or let Pakistan-based radicals serve as the Kashmiris' only effective advocates.

Building peace can cost as much money as waging war. An open wallet would be a clear expression of the "personal interest" President Clinton has promised to take in the region. How much cash will the United States, the IMF, and other organizations provide? How much is the outside world willing to pay to defuse a nuclear time-bomb?

Neither India nor Pakistan can afford to "lose" Kashmir. This territory, home to fewer than one percent of the subcontinent's inhabitants, is central to both nations' identities. Muhammad Ali Jinnah, Pakistan's founder, argued that Muslims could not be secure in a Hindu-dominated India, that two communities defined by religion could not share one stretch of land. Mohandas K. Gandhi and Nehru strenuously disagreed: the nation they envisioned would be a secular state, a collage of many religions, many languages, many cultures. After India helped East Pakistan gain independence as Bangladesh in 1971, the waters of identity grew muddier and more poisonous.



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The ability of India to bring true peace to the Valley—there is no serious talk of Jammu or Ladakh breaking away, or of Azad Kashmir and the Northern Territories being wrested from Pakistan—is a crucial test of the principles on which both nations were founded. To prove the viability of Nehru's ideas, India must win the loyalty (and not merely the sullen submission) of Nehru's homeland. This is not on the agenda of the governing BJP, which has never been a fan of Nehruvian secularism. But if Hindu nationalists have little love for the memory of Nehru, they have even less for that of Jinnah. Nehru's Congress Party saw Partition as a tragedy, but the BJP's ideological forerunners saw it as a betrayal.

The longer Kashmir is held by brute force, the more convincing the rationale of Partition will seem. For this reason, Pakistan cannot sever its ties to the insurgents. And for this reason, India cannot simply crush the insurgency by military means. Farooq Abdullah may not be the man to craft a stable peace, but he is probably right about the rough shape that peace will take. "Neither is India going to leave this part, nor is Pakistan going to leave that part," he says. "Whether we have a hundred wars or a thousand wars, it is just not going to happen. We are just going to bleed each other dry."

## THE VIEW FROM THE CAMPS

MUZAFFARABAD, capital of Pakistan's Azad Kashmir, has only one real hotel, and the sign at reception lists the rules all guests must obey. "Please deposit weapons at front desk" ranks only a matter-of-fact fifth place—more important than "Checkout 12 p.m." but not as pressing as "Personal cheques not accepted."

In the Kamser refugee camp, up a twisty mountain road from Muzaffarabad, Raja Izhar Khan shows a visitor around the tin-roofed stone-and-mortar settlement. His whole village crossed over from the Kashmir Valley in 1990, he says, after several years of killings, beatings, and gang-rapes by Indian security forces. "We Kashmiris used to get along fine," the old man says. His only tooth is brown and rotten, but he smiles a lot just the same. "Any religion, side by side, no problems." He looks east toward the high mountains, the other side of which used to be his home. "Now," he says, "a Muslim cannot live



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there." When the villagers slipped across the border, all the government employees who were Muslim—including the local constables—decided to come with them.

For the first four years in the Kamser camp, the refugees lived in tents. When charitable groups supplied construction materials, the villagers sadly built themselves permanent housing. The settlement is clean, airy, comfortable, and gets electricity and water free from the state government. Back in the Valley the villagers had supported the pro-Pakistan Hizb-ul-Mujahedeen militia, but since fleeing to Pakistan none of them has applied for citizenship in their new host country. It is the land that they cherish, not the passport. "We are only waiting here," says Raja Khan. "We want to go home."

Jammu City, winter capital of India's Jammu and Kashmir state, has more gun shops than a Wild West frontier town. In the Purkhoo camp, a miserable slum several miles outside the city center, Bushan Lal and some fellow Pandits give a visitor the shame-faced tour. They left home the same year as the refugees across the border in Kamser, and after four years they too moved from tents to more permanent dwellings. But the unpaved alleys are rutted bogs, slippery from the trickling of sludgy gray sewage.

"Most of us have skin diseases from the poor drainage," Bushan Lal says. A native of Qazri, a village in the south of the Valley, he moved his family out when fundamentalist guerrillas gave them the choice of conversion or flight. Prior to that, he recalls, Hindus and Muslims used to be *bhai-bhai*. The government now gives each refugee a monthly stipend slightly higher than what it pays renegade militants, plus free rations. The camp has two newly built schools, a provisions shop, and a temple, but all of the men here are furious.

"Rajiv Gandhi let this happen," says one of the Pandits. "Nehru's grandson betrayed us all." Mention the BJP and the chorus of contempt becomes even more bitter. "All they give us is *khali batchit* (empty chatter)," a man says. "The Valley will never be safe for Hindus." Then why not make the best of their lives here, dig drainage trenches, burn the towering piles of garbage—or just move to Delhi and build a new life? The men's indignation melts to muttered half-answers. "No Pandit will move back to Kashmir," one finally says, "but that is still our home."



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Perhaps the worst thing about Jammu, all the men of Purkhoo agree, is the hot weather. In June, Bushan Lal says, he dreams about the cool mountains every night. About 250 miles away, Raja Izhar Khan has the same complaint about Muzaffarabad: "The winter is tolerable, but after so many years we still cannot live with the heat."

This, perhaps, is all that is left of *Kashmiriyat* today. Pandit and Sufi, both pining for the crisp, alpine air of the Valley, both longing for a place they may never see, and a time that may never return.



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# Saving NATO's Foundation

*John Deutch, Arnold Kanter, and Brent Scowcroft*

## TRANSATLANTIC DEFENSE-INDUSTRY COOPERATION

TRANSATLANTIC defense cooperation is a little like the weather: everybody talks about it, but nothing much seems to happen. Meanwhile, Europe is building a separate "European" defense industry, based in part on shortsighted, if not downright misguided, calculations of self-interest. For its part, the United States is tentative at best and ambivalent at worst about greater cooperation. But as the United States and Europe dither, the effectiveness of the NATO alliance—and ultimately its future—is increasingly at risk.

The costs of inaction mount daily. Declining defense budgets, already stretched too thin, are denied the efficiencies that greater transatlantic cooperation could yield. Both Europe and the United States have therefore had to delay the modernization of their military forces and thus have been slow to take advantage of advances in technology—notably information technology that applies to command, control, communication, and intelligence. The air war in Kosovo

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demonstrated a potentially more worrisome consequence: the gap between U.S. and European military capabilities is growing, undermining both NATO's ability to undertake joint operations and the European allies' hopes to participate on an equal footing with America. At the same time, taxpayers in Europe and the United States are paying more than necessary. Most important, the industrial bases of American and European defense are growing increasingly separate, which could undermine the political basis of the alliance itself.

The stability of the Atlantic alliance is built on three mutually supporting principles: political and cultural community, common military defense, and shared burdens and risks. For many decades, improved cooperation between European and U.S. military and related aerospace industries has been seen as central to these principles; such cooperation strengthens NATO by giving it more effective armed forces that are both better equipped and interoperable. But for a variety of reasons on both sides of the Atlantic, industrial cooperation on defense has proved an elusive goal.

In the past, U.S. industry profited from selling sophisticated equipment to NATO countries without sharing much work or technology. An excellent example was the sale of AWACS, an airborne warning-and-control aircraft developed and produced in the United States, to NATO in the 1970s. Another is the acquisition of F-16 fighters by many of our NATO allies. At the same time, the U.S. defense market was largely closed to Europeans, ostensibly on the grounds that European systems were consistently inferior to their American competitors but actually in response to strong domestic political and business interests—reflected in various "buy America" legislation—which have no interest in "exporting" defense-budget dollars or jobs to Europe.

Increasingly, our European allies have been producing their own hardware—even when it is more costly and less advanced than what they could buy from the United States. A good example is the European Fighter Aircraft, which is being developed (principally by the Germans and the British) at significantly greater cost than that of better U.S. aircraft already available. The reasons for what seems irrational if not irresponsible European behavior are the perceived political and economic benefits (if not imperatives) of preserving an independent defense industrial base.



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The deep European commitment to creating a "European" defense industry has several sources. First, like a common currency, an independent defense industry is deemed an essential feature of an integrated Europe, which requires its own political, economic, and military infrastructures to become an independent and coequal partner with the United States. Second, and relatedly, some Europeans believe Europe should be able to take military action without U.S. support and participation. Third, European defense consolidation is considered a necessary precondition to successfully competing, much less cooperating, with the handful of U.S. companies that have emerged from the U.S. defense industry's own process of consolidation. For all these thoroughly understandable reasons, Europe seems determined to have a separate defense-industry base, duplicating technological and production capabilities already expensively acquired by the United States.

The drive for a European defense industry eats away at NATO's political base.

Europe's course, however, poses real political and security risks. It also harms economic efficiency and military effectiveness. There are twin, mutually reinforcing, political pitfalls at work here. One is the danger that a preoccupation with creating a "European" defense identity will eat away at the political base on which the support of European publics for NATO rests. The other is the danger that such a preoccupation will strengthen the forces of unilateralism and isolationism in the United States, which in turn will undermine the American political consensus on which the transatlantic link depends. Put simply, NATO in the post–Cold War world—perhaps even more than during the Cold War itself—needs its forces and capabilities to grow closer, not grow apart.

Likewise, defense-industrial cooperation remains crucial for NATO's future. Having the leading defense companies in Europe and the United States work together for their mutual benefit would improve both NATO's military effectiveness and its political cohesion. Conversely, if defense companies on opposite sides of the Atlantic are pitted against each other in a bitter struggle for slices of a progressively smaller pie, the inevitable spillover into the political arena will undermine the alliance.



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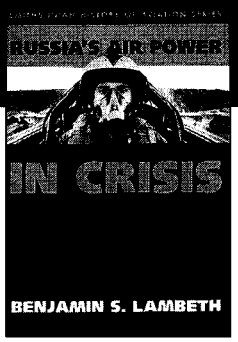
# EYE ON RUSSIA

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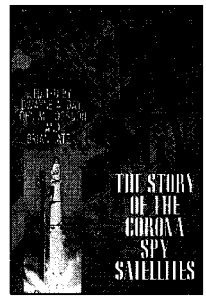


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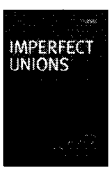


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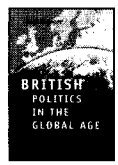


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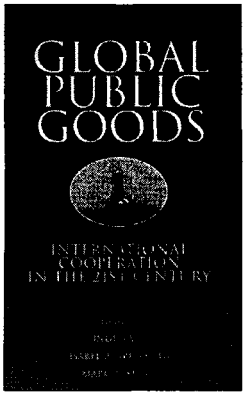


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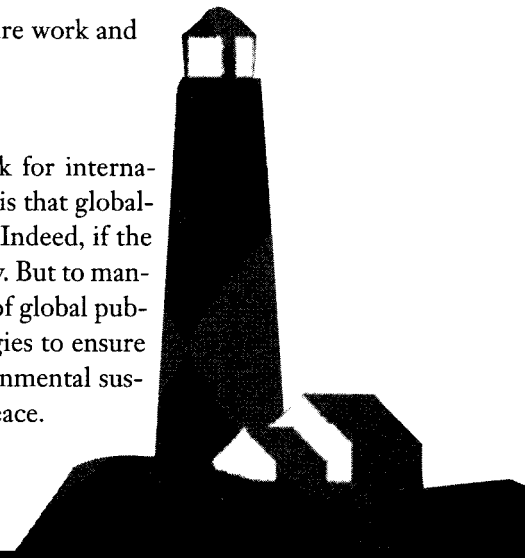

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But there has been an important change. For a generation, NATO governments mouthed the rhetoric of the "two-way street" in defense procurement and made hollow gestures in the form of politically dictated acquisitions from allies that made little economic or military sense. Not surprisingly, these were exercises in frustration. But now, for perhaps the first time in our lifetimes, defense and aerospace companies on both sides of the Atlantic have genuine incentives to form joint ventures, strategic alliances, and even mergers. All that remains is for governments to remove the unnecessary obstacles to such cooperation and then for the politicians to get out of the way.

## FORTRESS EUROPE?

PURELY FROM the perspective of efficiency and effectiveness, the need for transatlantic cooperation in the defense industry is greater today than ever before because of two imperatives: economics and technology.

Although the post–Cold War world remains a dangerous place where security still requires cutting-edge military capabilities, the political basis for large defense budgets evaporated with the Soviet Union. Procurement budgets have fallen dramatically on both sides of the Atlantic. One inescapable consequence is that no one country can go it alone in developing the defense capabilities it needs. Another is that neither America nor Europe can afford to maintain its past industrial base. For example, the U.S. defense investment account—research and development (R&D) plus procurement—has fallen by 60 percent since 1990. (Recent pushes to increase these accounts will not make up much of the cuts.) But even at this sharply reduced level, the U.S. investment in advanced military and space technology and rate of expenditures thereon exceeds all of Europe's combined—by about a factor of two.

One might think that these circumstances would lead governments and companies on both sides of the Atlantic to recognize that they were moving into an era of mutual dependence and to seek a consolidated transatlantic architecture that is smaller (and therefore cheaper) while retaining enough competition to ensure efficiency. In particular, one would expect that European industry would work hard to take advantage of the immense preexisting U.S. investments on a range of systems—



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advanced fighter aircraft, surveillance and military communications satellites, ballistic missile defense, and so on—through some mutually beneficial arrangement, rather than devote increasingly scarce resources to reproducing those technologies.

But that is not what has been happening.

The U.S. defense industry has responded to the end of the Cold War with massive consolidation. Today there are just three surviving system-defense contractors: Boeing, Lockheed Martin, and Raytheon. But a combination of old habits and unchanged political and legal constraints have largely limited this consolidation process to mergers and acquisitions among American companies. The result is a smaller, more integrated U.S. defense industry, but one which European political—if not necessarily business—leaders view as an even more threatening competitor.

European politicians see the more integrated U.S. defense industry as an even tougher competitor.

For a variety of reasons, Europe has responded more slowly to the same post–Cold War imperatives. First, consolidating Europe's defense industry requires cross-border deals; Europe's national markets are simply too small to be viable. But surrendering control over one's means of national security, a potent symbol of sovereignty, raises a host of difficult political and emotional issues—issues made even more complicated by the fact that European states often own large stakes in defense companies. Second and related, one major incentive to consolidate is realizing the economic benefits from shedding excess capacity and downsizing work forces. But the European political reluctance to reduce employment, reinforced by the role the state has in many European defense firms, has been a big barrier to consolidation and downsizing.

In the end, however, imperatives are imperatives, and European companies are now moving down their own consolidation path, guided by their political leaders' distinctive concerns. These political constraints, more than the business objectives of European defense companies, are defining the shape of European defense consolidation. France, for example, wants to be at least as influential as Germany in charting the future of the European Union (EU). The United Kingdom



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wants to capitalize on its "special" relationship with the United States while picking up business in Europe. Everyone wants to protect jobs. And perhaps most important, all the leaders seem to believe that a European defense industry is both an essential feature of an EU that can hold its own politically with the United States and a necessary precondition to transatlantic cooperation with the U.S. defense giants.

The most ambitious proposal for European defense consolidation—championed much more by political than by business leaders—is to form a single European aerospace defense company (EADC) composed of France's Aerospatiale, British Aerospace, Germany's DaimlerChrysler Aerospace, Spain's CASA, Sweden's Saab, and Italy's Finmeccanica-Alenia to produce military aircraft, helicopters, space systems, guided weapons, and other defense systems. But the recent merger of the two largest British defense firms, British Aerospace and the defense portion of the General Electric Company, has created both an intimidatingly large defense giant that other European companies fear will swallow its putative partners and an all-but-anointed winner of virtually every major British defense contract. The "New BAe" is, at the least, a serious setback to the EADC, which may be why British Prime Minister Tony Blair reportedly became livid when informed of the merger. But the process of European defense consolidation has not been standing still. The French aerospace industry was substantially consolidated by the creation of Aerospatiale-Matra, a new enterprise with a distinctively French large state role. The recently announced merger between DaimlerChrysler's aerospace arm and the Spanish aerospace company CASA was a smaller but still important step toward European defense integration.

What is emerging, then, at the level of first-tier European defense contractors is not all that different from what has transpired in the United States: the consolidation of the industry into three or so dominant companies that usually compete, sometimes cooperate, and jointly rely on an overlapping network of lower-tier suppliers who have even more complicated relationships among themselves. But the outcome of this emerging ad hoc approach to defense consolidation in Europe is still unclear. It may amount to little more than the emergence of national champions for each of the three major contenders for the mantle of European leadership, or it may lead to a de



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facto EADC. The consolidation may actually ease transatlantic defense cooperation by creating both more viable, attractive potential associates in Europe and more opportunities for U.S.-European partnerships.

In brief, the Western alliance may be at a propitious moment but surely is at a critical one. Europe is clearly moving from the question of "whether" to consolidate to "how," "when," and "with whom." How these questions get answered—in an exclusively European way or in one that also has a substantial transatlantic component—will make all the difference. The starting point must be a recognition that rationalizing the European defense industry should not be seen as synonymous with a "Europe-first" or a "Europe-only" approach to defense consolidation—a realization that is dawning on European defense companies faster than on their political leaders.

Given the above factors—including the ongoing downward slide in defense spending, the often less advanced technology of European enterprises, and a continuing large state role in defense companies everywhere in Europe—whether Europe can mount a competitive industry by itself remains a real question. If it cannot, the result could be a gradual slide toward a Soviet-style arsenal system based on inefficient state direction, increased protectionism, and a growing gap—already in embarrassing evidence in Kosovo—between increasingly sophisticated U.S. military prowess and lagging European systems. But even if Europe establishes something like an EADC, the resulting competition between "Fortress Europe" and "Fortress America" would be a body blow to NATO's political unity and military effectiveness.

## THE NEW WARFARE

IF THE FIRST imperative for transatlantic defense-industry integration is economics, the second is the technological revolution in warfare. As first the Gulf War and more recently Kosovo showed, Western military commanders can now have near real-time information available about their foes. If this intelligence is coupled with modern precision weapons, victory can be achieved much faster and with far fewer casualties to soldiers and civilians than ever before. This formula has become increasingly important to Western publics, especially in peacekeeping operations.



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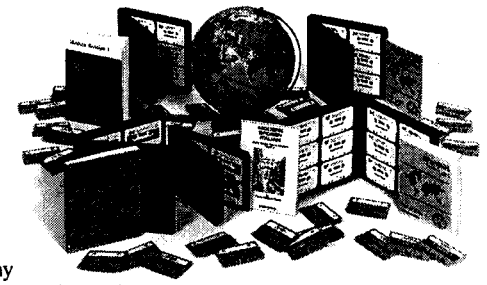

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The new military fundamentally relies on information technology—the ability to collect vast amounts of data using optical and electronic sensors on satellites and planes, exploit this information, and get it to the appropriate field commanders. The emphasis has shifted from "platforms"—ships, aircraft, and armored vehicles—to information systems that support command, control, communications, and intelligence (C3I) for military forces. Thus defense cooperation is especially valuable in these areas.

These C3I technologies make possible sweeping air superiority, successful combined air-and-land attacks, and effective naval power projection. The most vital element in the "out of area" missions NATO may confront is C3I—and to work, C3I must be interoperable among all of NATO's forces. Its importance to effective warmaking goes well beyond the classic logistics-based arguments for standardization, such as the usefulness of common types of ammunition or spare parts. Quite simply, C3I—along with strategic lift, or the ability to rapidly move forces over large distances—is today the key to superiority in conventional warfare. C3I is the brain of modern warfare, so to say that the United States, NATO, and Europe will have separate C3I structures is a bit like saying one healthy body can have one, two, or three heads. In principle, one can imagine three different systems communicating seamlessly in combined wartime operations, but in the real world, it would probably be ineffective, cumbersome, and expensive.

U.S. defense industries, supported for decades by generous defense budgets, are now preeminent in developing and integrating these information systems. European industry is relatively weaker, both because fewer resources have been devoted to developing C3I and because modern C3I technologies are based on advances in commercial information technologies—communications, computers, software, and the like—where the United States also has a considerable advantage (but by no means a monopoly) over Europe.

So Europe is doubly disadvantaged in this key area—something that should argue for more, not less, transatlantic defense-industry cooperation. But today, European governments are first consolidating the defense industry in Europe so that it can compete effectively with the United States and only then (if even then) cooperate with U.S. industry. Because it is such patently bad business, cooperation is



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not even contemplated in other areas, such as biotechnology and commercial information technology, where the hand of the state is not so visible or strong. Instead, in these fields, firms on both sides of the ocean seek arrangements that permit the most efficient use of technology and capital.

Realistically, could a European strategy of developing technologies internally ever compete with the United States? Probably not, although certainly not because Europeans are less intelligent or imaginative than Americans. In part, the reason is that the United States devotes more resources to high-tech than all of Europe combined. But even more important are the differences between the European and American ways of technology innovation.

The United States is enjoying a tremendous burst of productivity in applying new information-based technology to all industries, including defense. This innovation's hallmark has been an unprecedented level of industry attention to the implementation of new technology. Creativity has also been stimulated by agile venture capital and new R&D partnerships between universities, firms, and government.

There is no comparable wave of innovation in Europe. Although European firms are technically outstanding in many particular areas, Europe's innovation generally lags behind America's, especially in key information technologies. Defense and aerospace integration offer an attractive way for Europe to catch up to the United States and adopt techniques that make sense for the European environment.

In sum, then, three technological reasons clearly argue that Europe should favor transatlantic integration over going it alone: the size of America's past R&D investment, the relative U.S. strength in C3I technologies, and the greater vigor of U.S. innovation in underlying commercial information technologies.

## HAPPY TOGETHER

ANOTHER MODEL for cooperation makes far greater political, military, and economic sense than a single-minded drive toward European defense consolidation: an immediate move toward transatlantic partnering in parallel with European consolidation. This should be an industry-led effort, not one spawned by greater



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cooperation among governments; after all, 30 years of trying the latter approach has failed.

The NATO mechanism of defense cooperation proceeds through the Committee of National Armaments Directors (CNAD). This group has occasionally taken initiatives on worthy joint projects, such as theater ballistic-missile defense and military communications satellites. Currently the CNAD is devoting considerable attention to an airborne moving-target radar, a system comparable to the Pentagon's Joint Surveillance Tracking and Radar System (JSTARS). But the CNAD is doomed to move slowly because its armament directors need to compromise simultaneously with their governments, industry interests, and potential partners. Defense budgets in both Europe and the United States are constrained, and the combined market is steadily shrinking. Defense companies therefore have a growing business incentive to move toward consolidation and other forms of partnering that cross not only national borders but also the Atlantic. So company-led efforts, particularly if encouraged by governments, are likely to produce a smaller, more competitive industry structure that strengthens rather than undermines NATO cohesion.

The alliance's defense industries need a merger along the lines of Daimler-Benz and Chrysler's.

Merging major European and U.S. firms is one but not the only way this consolidation can occur. American and European firms should pursue flexible, even experimental, approaches on the presumption that there is no one right model and that everything therefore need not be determined once and for all. For example, mergers among second-tier companies—the key suppliers to the first-tier defense giants—not only ease transatlantic defense cooperation but also face far fewer political and business obstacles. European component and subsystem manufacturers are frequently as technically advanced and efficient as their U.S. counterparts, making for attractive merger or acquisition opportunities. European defense and aerospace prime contractors, which are relatively weaker in information technology, will also seek to acquire second-tier U.S. firms in areas such as defense electronics, information warfare, and reconnaissance—a welcome trend.



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U.S. and European firms also can form joint enterprises in some important segments of the defense industry, such as surveillance satellites or large transport aircraft—sort of like multiple transatlantic Airbus consortia. Ventures where two companies combine to address one project are less desirable because the cooperation is intentionally temporary and often hard to manage because of the lack of long-term common interest.

"Big-bang" transatlantic consolidation is not impossible; just look at the pharmaceutical, oil, and automobile industries. What is needed is a merger with the scope and imagination of the recent Daimler-Benz and Chrysler merger. Successful transatlantic defense consolidation will require a determined effort on both sides of the Atlantic to change past practices—and the prejudices these practices have bred. This means major changes in policy and attitudes by both U.S. and European governments and industry.

On the U.S. side, the principal barrier stems from the desire to protect advanced technology. In the past, America refused to share technology for fear that it would find its way into Soviet hands. Today, Washington fears that the Europeans will be more willing than the United States to incorporate this technology into weapons sold to third countries, to say nothing of rogue states, to whom Washington would never sell. Europe suspects—perhaps with some justification—that behind these apparently principled reasons also lurks a U.S. desire to maintain market advantage.

Europeans find the U.S. practice of giving a security classification to equipment and technology particularly vexing. Classification is justified when the technology in question (for example, an electronic warfare device) could render U.S. forces vulnerable or strengthen their potential adversaries. But classification is not an appropriate way to maintain a technological edge or a commercial advantage, and Washington must take special care not to abuse this key instrument of national security.

More generally, Washington must change its attitude and rules governing the transfer of technology to NATO. The important test is whether a technology transfer to NATO in the context of transatlantic cooperation would do more to enhance U.S. security interests than it would harm U.S. security if the technology were inappropriately



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retransferred to third parties. Real-world answers to this test require a tough balancing act. On the one hand, having advanced weapons fall into the hands of hostile states or terrorist groups poses real risks. On the other, current European technology is already sophisticated enough to attract most of the world market and pose many of the same kinds of risks and costs. These facts of international life mean that even a draconian U.S. policy on technology transfer to its NATO allies will not make much difference if that policy clashes dramatically with European practices. The right balance for U.S. policy is to simultaneously share more technology with NATO but crack down more effectively on the sale of advanced weapons systems by any NATO member to third parties.

Specifically, what should be done? First, Washington should state that its policy is to encourage and ease cooperation between U.S. and NATO defense entities, consistent with the applicable antitrust laws. That Europe should be spending more on defense has become an American refrain—the unsaid implication being that much of the spending would be with U.S. firms. A wiser new refrain would call for greater funding for NATO projects awarded to the transatlantic defense firms with the best bids.

Europe's leaders must adjust their vision of the future of the European defense industry.

As a matter of weapons-acquisition policy, Washington should declare and demonstrate that the American defense market is wide open to any European company that can out-compete its U.S. counterparts, provided that there is clear and convincing evidence that European markets are just as open to U.S. defense firms. Such a policy will require not only changing various "buy America" provisions scattered throughout U.S. statutes but also making reluctant politicians and bureaucrats overcome their strong predilections to favor home-grown alternatives.

Second, the Pentagon should highlight programs where NATO cooperation is considered especially valuable. "Buy transatlantic" provisions might even be attached to a few of these to show that Washington means business. Examples might include large military transports, advanced air-to-air missiles, air- and space-based radar reconnaissance satellites, or theater missile defense systems. The fact



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that Europe has already substantially consolidated the latter two areas may reassure European companies that they will not be dominated by their American counterparts—and thus may be particularly promising areas for early initiatives.

Third, the Pentagon should work to convince European defense ministries and firms that the United States will be a reliable partner in defense-technology projects. This will require the United States to revise its policy for sharing advanced technology with European companies along the lines described above, including an overhaul of the criteria and practice for security classification of equipment provided to Europe. The long-time U.S. practice of maintaining a special technological relationship with the United Kingdom should be broadened immediately to include other key NATO allies—and, eventually, all of NATO. The new U.S. policy also needs to take account of the fact that European defense entities are increasingly multinational, which makes an ally-by-ally approach increasingly unrealistic.

With this wiser U.S. government policy in place, U.S. firms will be able to proceed in several directions. Some U.S. companies—especially within the second tier—will explore mergers and acquisitions with European firms. Others will establish operations in Europe, both on the continent and in the United Kingdom, that show their commitment to a long-term presence in Europe. Likewise, European defense companies will probably increase their presence in the United States, which also would be a plus. Several large U.S. and European firms will form strategic alliances to pursue common business objectives. Over time, two or three transatlantic enterprises could form to compete for the widest range of defense and aerospace business—an objective that is in America and Europe's combined political, security, and economic interest.

Tough decisions will have to be made on America's side of the Atlantic for this vision to be realized. But the same is also true for Europe. Whatever form consolidation takes, European political leaders must be willing to make the difficult calls necessary to reap the benefits in efficiency that consolidation offers, and that entails closing facilities and firing workers. More fundamentally, Europeans must be willing to adjust their vision for the future of the European



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defense industry. That future must be inclusive rather than exclusive—based on the proven success of the Atlantic alliance, rooted in cooperation across the Atlantic rather than the juxtaposition of "Fortress Europe" and "Fortress America." If Europe tries to go it alone instead, the inevitable outcome will be inefficient defense companies, squandered defense resources, a growing gap between American and European military capabilities, and a fatal weakening of the alliance.

The major challenge, then, facing both U.S. and European governments is making transatlantic cooperation at least as attractive as continued consolidation within Europe and the United States. They should then leave it to the defense companies themselves to determine which alliances, mergers, and partnerships make the most business sense. Economic incentives and technological imperatives would then probably produce a form of transatlantic cooperation that best serves NATO's security needs and political interests. In any event, high-tech advances and financial windfalls will most likely prove irresistible enough to defeat obstructionist political leaders. What persuasive and intelligent political leadership can do is to encourage industry to take the ambitious actions that will lead to a stronger NATO.



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# Star Wars Strikes Back

*Michael O'Hanlon*

## THE PHANTOM MENACE OR A NEW HOPE?

STAR WARS the movie may have enjoyed a comeback this year. But inside the defense community, Star Wars never left us. Unfortunately, neither have the polemics surrounding it; missile defense remains as controversial as ever. That may not have mattered much in the past, when missile-defense technology was too immature to make deployment practical. But there could soon be real consequences if the debate remains mired in ideology.

To understand the arguments and the stakes involved, a few definitions are essential. Ballistic missile defenses fall into two main categories: theater and national, designed to intercept short-range and long-range missiles, respectively. The United States now deploys a version of theater missile defense (TMD)—the Patriot—but does not yet operate more advanced TMD systems or a national missile defense (NMD) of any kind.

TMD and NMD use similar technologies: satellite-based infrared sensors that detect and track missile launches, radar that follows incoming threats and guides interceptors to them, and the interceptor missiles themselves. Eventually both may also include airborne and space-based lasers—although such devices remain early in the laboratory stage today (a point recently reaffirmed by the Pentagon's chief scientist and its director of testing). But the similarities between TMD and NMD end there. For while TMD enjoys wide support in the American policy debate, NMD (or strategic defense) remains hotly contentious.

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The popularity of TMD stems from its role in the 1991 Gulf War. Saddam Hussein fired about 90 Scud missiles at Israel and Saudi Arabia during the war—killing 28 U.S. soldiers in their barracks near Dhahran and terrifying Israeli civilians. The early variant of the Patriot system deployed against him (designed more to shoot down airplanes than missiles) did not actually stop many Scuds. But it helped avert an Israeli retaliatory strike that might have fractured the U.S.-led coalition. The Patriot has been improved since the Gulf War, and is soon to be upgraded further. Other TMD programs are advancing, albeit in fits and starts, and their political support remains strong.

NMD, by contrast, remains technologically less developed and ideologically more fractured. Missile-defense enthusiasts, most of them Republicans, want above all else to protect America from direct attack. Arms controllers, most of them Democrats, consider reducing and securing nuclear armories and improving U.S.-Russian relations to be paramount, and worry that deployment of NMD would seriously threaten those goals. Each side voices valid concerns. But neither seems to acknowledge, or seriously wrestle with, the legitimate concerns of the other.

President Clinton has wisely tried to apply his instincts for finding a "third way" to resolve the controversy. In 1997, the administration devised an NMD-development program and then funded it robustly—admittedly, after considerable congressional prodding. But while seeming to take initiative, the Clinton administration has actually passed the buck. Since NMD technology is not yet up to the job, deployment is out of the question; the administration has not actually had to do anything more than adopt the right rhetoric and fund research programs.

Yet the kind of solution to the NMD standoff that the next U.S. president might pursue is now becoming discernible. As defense proponents argue, some degree of nationwide protection does make strategic sense in the post–Cold War world. But as critics emphasize, the requisite technology may not be ready as soon as we would like—and it will probably not work very well against some threats even when it is. Critics are also right that if such a system is ever deployed, every effort will have to be made to assuage Russian worries. That does not mean giving Moscow a veto over the system's ultimate deployment. But



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it does mean limiting the size of the deployment and, if at all possible, trying to find an appropriate way to modify the 1972 Anti–Ballistic Missile (ABM) Treaty rather than just withdrawing from it. It may even mean steps like unilateral reductions in the size or alert levels of U.S. offensive nuclear forces, to bolster Russia's confidence that America is not pursuing a strategic advantage at its expense and thereby to keep the process of reducing and securing the Russian nuclear arsenal on track.

In the charged world of American politics, unfortunately, pursuing such an agenda will not be easy. The ideological trenches are dug so deep that the two sides of the NMD debate will have a hard time climbing out to find common ground.

## THE (NOT SO) GREAT DEBATE

THE DEBATE over strategic missile defense may be polarized, but it is not mindless. Both sides marshal an impressive array of well-reasoned arguments to support their positions. But both are much better at advocating their own views than at listening to each other's.

Missile-defense proponents are right about their major premise: The global missile threat to the United States is growing. The club of nations with ballistic missiles now includes about two dozen members. Just as worrying is the increasing range of these weapons. Exhibit A is North Korea. In the summer of 1998, it tested a multi-stage missile, the Taepo Dong 1. It is also working on a Taepo Dong 2 that, according to a recent U.S. intelligence report, might be able to strike the continental United States with a nuclear-weapon-size payload (if North Korea can make a three-stage version of the missile capable of surviving high-speed atmospheric reentry). These developments were threatening enough to help convince traditionally gun-shy Japan to enter into a TMD joint-research agreement with the United States in August 1999. The September decision by North Korea to stop testing in return for an easing of U.S. trade sanctions is encouraging but insufficient to deflate the fears it has created.

The 1998 North Korean test confirmed the findings of a congressionally mandated commission led by former U.S. Secretary of Defense Donald H. Rumsfeld. The commission report—published shortly before the Taepo Dong 1 overflew Japan and splashed down



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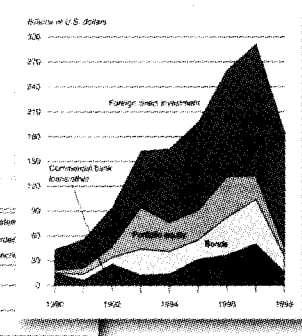


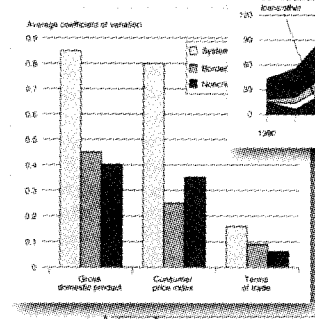


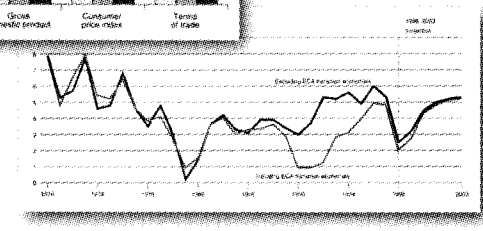

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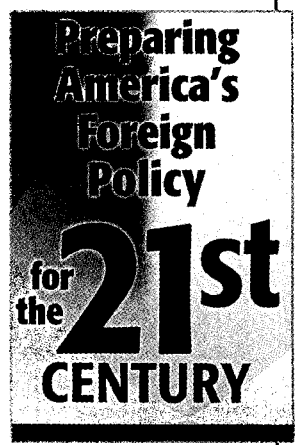


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in the Pacific Ocean—concluded unanimously that countries such as North Korea, Iran, or Iraq might soon develop a missile that could threaten American territory. It also criticized the U.S. intelligence community, which had believed it would have at least a decade's notice before any such threat could materialize. Rumsfeld's report warned that missiles could appear in half that time or even sooner, since countries could do a good deal of their preliminary research in secret, conduct crash programs in missile testing (albeit at a price in missile capability and reliability), buy missiles from abroad, and threaten the United States with medium-range missiles launched from ships or the territories of U.S. neighbors.

Missile-defense supporters are also right to have profound doubts about the continued relevance of the ABM Treaty, at least in its current form. Signed in 1972, the treaty was the product of an age when the superpower arms race was out of control. Perceptions of nuclear advantage mattered much more then, and worst-case military analysis was so prevalent that deployment of even mediocre defenses might have provoked unchecked competition. Deployment of NMD was therefore prohibited, not because it was believed to be inherently bad, but because of the specific political and technological circumstances of the day. Those circumstances have now changed.

Defense proponents sometimes take this logic too far. Some argue, for example, that the treaty no longer has *any* bearing, since one of its original signatory states has now dissolved. That is a poor argument; the same reasoning would absolve Russia of the Soviet Union's other international obligations, debts, and responsibilities in areas such as weapons nonproliferation. But NMD supporters are right to challenge the Cold War calculus nonetheless.

Unwilling to cede any ground, missile-defense skeptics offer three solid arguments in reply. They point out that although the Cold War is over, old arms-race dynamics die hard. Both Russia and the United States still maintain large and ready nuclear forces. One can argue that they should have shed their Cold War tastes for huge arsenals and strategic advantage by now—but the fact is that they have not. Under these circumstances, deploying NMD could rekindle Russian paranoia about strategic inferiority, possibly halting offensive-arms control and convincing Moscow to retain on hair-trigger alert the decrepit, dangerous



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**Key U.S. Missile Defense Systems**

| System Name | Type of Warhead | Air/Cruise Missile Defense Capability |
|---|---|---|
| **Lower-tier (Point) Defenses** | | |
| Patriot PAC-2 | Blast fragment | Considerable |
| Patriot PAC-3 | Hit-to-kill | Considerable |
| Navy Area Defense (Navy Lower-tier) | Blast fragment | Considerable |
| **Upper-tier (Area) Defenses** | | |
| THAAD | Hit-to-kill | None |
| Navy Theater-wide (Navy Upper-tier) | Hit-to-kill | None |
| Arrow (Israel-U.S.) | Blast fragment | None |
| **Boost-phase Defenses** | | |
| Airborne Laser (ABL) | Directed energy | None |
| **National Missile Defenses** | | |
| Ground-based Interceptor (GBI) | Hit-to-kill | None |

*Sources:* David Mosher, "The Grand Plans," *IEEE Spectrum* (September 1997), pp. 34–35; Statement of Lt. Gen. Lester L. Lyles before the U.S. Senate, Committee on Armed Services, Subcommittee on Strategic Forces, March 24, 1999.

*Note:* TBD = To be determined.

*For modifications only.

nuclear weapons it really should retire. It could also threaten the Nunn-Lugar program, under which the United States helps Russia secure its frighteningly scattered nuclear arsenal. This is a powerful argument, if not against NMD per se than against reckless NMD deployment that would stick America's high-tech thumb in Russia's eye. Whatever threat countries like North Korea may pose to the United States in the coming years, the danger of loose Russian nukes is orders of magnitude greater. It would be folly to address the first concern in a way that would exacerbate the second.



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| Approximate Radius of Defended Area (km) | Date of Initial Deployment | Estimated Acquisition Cost |
|---|---|---|
| 10–15 | 1991 | $300 million* |
| 40–50 | 2001 | $6 billion |
| 50–100 | 2003 | $6 billion |
| >100 | 2007 or later | $13 billion |
| >300 | 2007 or later | $5 billion |
| >100 | TBD | TBD |
| >300 | 2006 | $6 billion |
| >1,500 | 2005 | $9 billion |

The skeptics' second argument is technological: Good missile-defense systems are very difficult to develop—harder than their proponents like to admit. Some progress is being made in TMD, but much remains to be done, and national defenses against intercontinental missiles remain a good way off. Indeed, another 1998 task force, this one led by retired General Larry D. Welch, argued that missile-defense research programs are being pushed too rapidly, in what amounts to a "rush to failure." Joint Chiefs of Staff Chair General Henry H. Shelton and Lieutenant General Lester L. Lyles,



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director of the Ballistic Missile Defense Organization, have repeatedly acknowledged that the NMD development schedule is very ambitious. Yet the Clinton administration now plans to make an initial decision on whether to deploy NMD after only 3 or 4 of the 19 planned intercept tests have been completed.

If missile defenses eventually work on the test range, they may still be defeated by a real enemy's countermeasures. We may learn to hit a bullet with a bullet under controlled conditions. But what if the incoming bullet is accompanied by dozens of decoys, or is part of a multimissile attack designed to overwhelm defenses? Such countermeasures are to be expected from a sophisticated foe. Even a less-sophisticated opponent might devise reasonably effective ones.

Good missile-defense systems are very difficult to develop—much harder than proponents like to admit.

Missile-defense opponents also point to cost. The United States has spent about $3.5 billion a year on missile-defense programs since President Reagan first announced the Strategic Defense Initiative in 1983, adding up to more than $50 billion in 16 years. If one counts back to the early 1960s, the grand total reaches more than $100 billion (in constant 1999 dollars). Current plans call for spending more than $4 billion a year over the next five years, including $1.5 billion annually for NMD. Proponents argue that, given the stakes involved, these numbers are not actually so big—the tab for NMD amounts to less than one percent of defense spending. If Washington can spend ten percent of the defense budget defending Persian Gulf oil or South Korean security, these advocates argue, it can devote one or even two percent to protecting America's own territory—not an unreasonable position, assuming NMD actually works.

Proponents and critics squabble over another central point. Why bother with missile defenses, skeptics ask, when the country remains vulnerable to suitcase bombs, ships carrying nuclear weapons in their cargo bays, or cruise missiles launched from boats or submarines off U.S. shores? Better—and cheaper—to rely on the time-tested technique of deterrence, and possibly on preemptive strikes with increasingly accurate conventional weapons. NMD advocates, however, object to placing all defense eggs in one basket. They insist that it makes no



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sense to throw in the towel simply because missile defenses are not a panacea. The Coast Guard and Customs Service offer at least some protection against these other means of delivery, whereas America is strategically naked against the missile threat. Finally, they note that missile threats are fundamentally different from suitcase- or ship-delivered bombs in that they can be delivered very quickly—making them especially dangerous to the United States under crisis or wartime conditions.

NMD supporters are at their strongest when warning that missile threats from countries like North Korea could well arise in coming years. Their critics do best when pointing out the technical challenges to developing good defenses, and when emphasizing that missile defenses would be counterproductive if they end up degrading nuclear security in Russia. So much for the rhetoric and opening policy positions. What underlies them? What exactly is the state of missile-defense technology, and what are our real options?

## PATRIOT GAMES

SINCE THE GULF WAR, the United States has significantly improved its only existing missile-defense system, the Patriot. Its radar now has greater range and can track more objects simultaneously, and in 2001, the Pentagon is to deploy a further-improved version of the Patriot. The date is later than initially expected—another reminder of how hard it is to develop missile-defense systems. Still, the new Patriot should do its job well. It will be able to identify actual warheads, so that it will not be fooled by simple decoys or by the breakup of a missile's body during atmospheric reentry (as were its predecessors during the Gulf War). It will also boast a new "hit-to-kill" interceptor that uses the energy of impact to thoroughly demolish a target and that achieved a completely successful test in early 1999. Whereas the existing Patriot system (known as PAC-2) can defend an area with a radius of some 10 to 15 kilometers, the new PAC-3 will triple that coverage, feature self-contained radar units in the interceptor missiles to guide their final approaches, and use more accurate thrusters (instead of fins) for steering.

The Pentagon is also developing a low-altitude theater defense, using a modified form of the Standard antiaircraft missile and based



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on Navy Aegis-class ships. Known simply as the "Navy Area Defense System," it is designed to cover a zone somewhat larger than the new Patriot. Recent tests of the system's individual components—its missiles and on-ship radar—have been successful. The Navy hopes to deploy the system on at least 40 ships by 2003. The United States is also chipping in on two international programs—Israel's Arrow and the Medium Extended Air Defense System (MEADS), being pursued with NATO partners Germany and Italy.

Less mature, meanwhile, are programs designed to defend larger regions of a few hundred kilometers' width: the Theater High-Altitude Area Defense system (THAAD) and the Navy Theater Wide system (NTW). THAAD has often appeared in the news because of its testing difficulties. THAAD's problems, however, were more the result of shoddy workmanship than the viability (or lack thereof) of the hit-to-kill concept. And THAAD finally scored direct hits during tests in June and August. The successful interceptions do not prove that THAAD can handle the most difficult targets, but they occurred at much higher altitudes and farther from base than the Patriot can reach; they also used THAAD's infrared seeker to guide the interceptor's final approach. Whichever of these programs—THAAD or NTW—advances more rapidly will be fielded in 2007, and the other sometime thereafter—although THAAD enthusiasts, buoyed by their recent pair of successes, now hope to speed up development.

Good countermeasures could doom a national missile defense of the type being developed by the United States.

THAAD and NTW are to have similar characteristics and capabilities (as will the Patriot and Navy Area Defense). This redundancy is justified, in part, by the fact that the Navy needs its own systems to work aboard ships at sea. Another part of the rationale, however, is that high-technology programs are inherently risky and difficult. It therefore makes sense for the Pentagon to hedge its bets by supporting more than one system.

Of all the theater missile-defense programs, NTW is the only one that could arguably violate the ABM Treaty. The treaty permits theater missile defenses but does not clearly define just what is a theater and what is a national missile defense. In 1997, the United States and Russia



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jointly defined TMD as any system using interceptors that do not exceed speeds of 3 kilometers per second and that are not tested against incoming warheads with speeds greater than 5 kilometers per second or ranges greater than 3,500 kilometers. (The Clinton administration, awaiting a more favorable arms control climate, has not yet submitted this agreement to Congress for approval, but in the meantime both Moscow and Washington are treating it as binding.) The NTW's interceptor exceeds that speed limit, putting it in a grey area with respect to the treaty. As weapons expert Theodore A. Postal points out, the NTW's speed raises concerns that, if tied in with advanced sensors, it could work as a form of national missile defense—which the treaty bans. To contain the damage to U.S.-Russian relations, therefore, the United States would be wise to cap the speed of future TMD interceptors—and perhaps limit the number of NTW interceptors it buys.

In all other respects, TMD will remain far less contentious than NMD. Some analysts worry that advanced TMD systems could harm the U.S.-China relationship. After all, such systems could defend Japan or Taiwan against China's abundant short- and medium-range missiles. The proximity of the North Korean threat, however, together with Beijing's own clumsy diplomacy (remember its live missile firings in the Taiwan Straits in 1995 and 1996), mean that China will be unlikely to convince the United States or its Asian security partners to forgo such missile defenses. Any debate will probably focus on issues such as how closely America should collaborate with Taiwan on TMD—not on whether theater defenses are desirable in the first place.

## CLINTON'S NEW MATH

DESPITE THE CONTROVERSY, the Clinton administration is continuing to develop a national missile-defense system. It intends to make a decision about deployment in the spring of 2000, so that a system can be up and running by 2005. Any policy it devises next year, however, will be highly provisional. As noted, no more than 4 of the 19 intercept tests will have been completed by then. The Pentagon's own Ballistic Missile Defense Organization now acknowledges that there is no way



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that a proper interceptor can be fully developed and tested before 2003, meaning that next year's decision will be limited to general concepts and sensors. At most, it will start the NMD ball rolling.

President Clinton's support for national missile defense has its roots in the Republican takeover of Congress. True to their 1994 Contract with America, congressional Republicans mandated a national missile defense by 2003. Clinton vetoed the bill but then sought to co-opt the issue. The administration devised a "3+3" program for developing an NMD system over three years and deciding in 2000 whether to deploy it over the following three years. To make the program realistic, the Pentagon kicked in an additional $2.3 billion for NMD research in May 1997, doubling planned funding for the six-year period.

Support for NMD built up even more steam in 1998, when both Iran and North Korea surprised the intelligence community with tests that showed rapid progress in their respective missile programs. Iran fired the Shahab 3, with a range of some 1,300 kilometers, and showed signs that it was developing a Shahab 4, with an estimated range of at least 2,000 kilometers. North Korea fired its Taepo Dong 1 over Japan and went to work on the Taepo Dong 2, which could potentially, albeit inaccurately, strike the continental United States.

The stakes rose again in 1999, when the Clinton administration added $6.6 billion for deployment to its missile-defense plan (making for a grand total of $10.5 billion for NMD between 1999 and 2005). Yet even if the cost increases another 50 percent, as is normal for high-technology weaponry, this sum will hardly be enormous compared to planned fighter, submarine, and destroyer programs, each expected to run into many tens of billions of dollars.

Clinton submitted his missile-defense budget to Congress in February 1999. Overwhelming majorities of both houses responded with a bill declaring it U.S. policy to deploy a national missile defense as soon as "technologically feasible," although amendments to the bill require that consideration be given to its budgetary and arms-control implications. Republican proponents of the bill, such as Senator Thad Cochran (R-Miss.), declared these amendments to be unimportant. But the president emphasized them when signing the bill into law in July, as had many arms control advocates in Congress when they voted for it. Just how much concern should be given to arms control or budgetary constraints



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was not clearly established. This reveals that although Washington has shifted toward NMD, the unity only goes so far. The 1999 National Missile Defense Act is a deep disagreement masquerading as a consensus.

The administration's NMD system will at first probably deploy 20 very-high-speed interceptors in Alaska that can shoot down a handful of incoming warheads, and might later be expanded to include up to 100 interceptors. In that sense it would fall within ABM Treaty guidelines, which allow as many as 100 long-range interceptors to be based at a single site. The ABM Treaty, however, does not permit deploying a *national* defense of any kind or size; interceptors are supposed to defend only the nation's capital or an ICBM missile field.

Technical problems with the Clinton plan can also be expected. Someday, hit-to-kill interceptors should be able to reliably destroy an incoming missile flying a clear trajectory. Naysayers notwithstanding, 1999 has been a good year for such technology, with two successful tests of both the Patriot PAC-3 and THAAD. And in early October, the NMD program scored an impressive hit, achieving a high-speed collision between its prototypical "exoatmospheric kill vehicle," launched from the Marshall Islands on a jury-rigged booster rocket, and a warhead (accompanied by a few simple decoys) launched moments earlier from California. Nevertheless, the NMD program is still being hurried. It makes little sense, for example, to insist on deploying NMD before shorter-range systems with much slower interceptors, like THAAD or NTW, can be fielded. Yet the Pentagon intends to do exactly that.

An even greater challenge, and one that will not be so easily solved by a scheduling change, is how to distinguish advanced countermeasures from actual warheads. This is not always easy even within the Earth's atmosphere, where TMD operates. But it is particularly difficult outside the atmosphere, where the longer-range NMD systems now under development would have to work. Prior to a warhead's reentry into the atmosphere, with no air resistance to separate out lighter decoys from heavier warheads, speed can not be used to distinguish the real from the fake. To mimic the infrared heat signature of a warhead, thereby fooling temperature sensors, decoys can be equipped with small heat generators. To fool radar or imaging infrared sensors, warheads and decoys alike can be placed inside radar-reflective balloons that make it impossible to see their interiors. Such countermeasures



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would doom a national missile defense of the type now under consideration and development in the United States—inconvenient facts that NMD proponents tend to ignore.

The news is not entirely bleak. It is not trivial to develop good decoy technology, or the means to deploy decoys in space—especially for a country unable to do much testing. Moreover, while using chemical or biological "bomblets" would be another way to evade interceptors, such weapons are generally not as dangerous as nuclear warheads, particularly when delivered by missile. Meanwhile, to make it much tougher for an enemy to defeat our NMD with fairly simple countermeasures and to provide some defense for regions outside of North America, the United States could develop interceptors to hit long-range enemy missiles right after they are launched. This system, suggested by physicist Richard L. Garwin, appears to be within reach technologically. It would destroy enemy missiles before they ever left the atmosphere and got a chance to dispense warheads and decoys. The interceptors could be deployed near the Korean Peninsula, the Middle East, or other trouble spots (provided appropriate bases were available). Such a "boost-phase" defense would also require modifications to the ABM Treaty, but such changes should not be very troubling to Moscow, since the defense would not work against missiles launched at North America from the interior of Asia.

As this suggests, a light nationwide missile defense will have serious limitations. But such a system could still provide some protection, if not a totally leakproof shield, against the threats that North Korea, Iran, or other "rogue states" could develop in the next decade or so.

## TO RUSSIA WITH LOVE

WHETHER TO continue TMD development and deployment is an easy question to answer. There is, thankfully, little ideological debate on this point in the United States. And with good reason: the threats are real, the risks posed by TMD to U.S.-Russian relations (and hence to nuclear safety) are quite limited, and the prospects for success are reasonably good.

On balance, deploying a national missile defense also makes sense. But the case is less clear-cut, and the technology less mature. To truly enhance nuclear safety and U.S. security, moreover, NMD must be pursued only as part of a broader package of initiatives toward Russia.



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It would be folly to deploy NMD in such a way as to damage U.S.-Russian ties. That does not mean Washington should let Moscow block decisions about American security, any more than Washington should have let Moscow veto NATO's recent war against Serbia. However, America should give the Kremlin every reasonable incentive to amend the ABM Treaty. If Russia refuses to renegotiate the treaty, the United States should deploy NMD anyway but take steps to limit the damage in bilateral relations that will result.

One way to help Russia swallow this bitter pill is to make it crystal clear that the United States has abandoned the pursuit of nuclear superiority. Washington should unilaterally begin to drop force levels to ceilings set by the second Strategic Arms Reduction Treaty (START II), even before the Russian parliament ratifies the treaty, and should propose to lower START III arsenals even further (to 1,000 warheads). The United States should openly reduce the alert levels of many, if not all, of its nuclear forces (as proposed by arms control advocates Bruce Blair, Harold Feiveson, and Frank von Hippel) to alleviate Russian concerns of a surprise U.S. attack that could sneak in through holes in Russia's deteriorating early-warning network. It should help Russia repair that network, perhaps funding the launch of warning satellites that Russia cannot now afford to put in space itself (as recently discussed by the Congressional Budget Office). And Washington should collaborate with Moscow on NMD, at least in limited ways.

The United States should also take other Russian concerns more seriously. Notably, any consideration of Baltic or Ukrainian NATO membership should be postponed—ideally until Russia itself is a viable candidate. Meanwhile, if Russia ever finds a workable economic reform plan, the West should support it with much more than miserly IMF loans at market rates.

Only with a broader arms control and Russia policy in place can the United States get serious about NMD without jeopardizing nuclear security. There have already been encouraging signs, suggesting that such a new Russia policy might pay off. For example, during a July visit to Washington, then–Prime Minister Sergei Stepashin reaffirmed Russia's willingness to discuss modifications of the ABM Treaty. He went so far as to downplay the threat posed by America's development of NMD, declaring that "this is being done not because of a threat from



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Russia but because of the threat from countries with complex, difficult regimes." August and September follow-up talks in Moscow did not go so well, however—perhaps because the Americans did not offer any new incentives or reassurances. Next time around, they should.

Meanwhile, the United States retains several strategic options. Clinton's successor could even expand current U.S. plans for NMD beyond the single site now intended for either North Dakota or Alaska. Multiple sites could protect population centers from missiles launched off ships.

Some advocate an even larger national missile defense, such as former President George Bush's proposed Global Protection Against Limited Strikes (GPALS) system. That design called for 1,000 space-based interceptors ("brilliant pebbles") and 750 ground-based interceptors at a total of six sites; depending on how an enemy attacked, GPALS might be capable of shooting down 100–200 warheads with a "leakage" of no more than two or three. Only a defense of this size could stand a chance against a major Russian rogue launch.

But GPALS would be very expensive, easily approaching $50 billion if not more. And it would be just as vulnerable to good countermeasures as would Clinton's smaller, cheaper system. It would also pose much greater risks to the U.S.-Russian relationship, and so could easily do more harm than good.

The U.S. missile-defense debate has long suffered from a lack of dispassionate thinking. Most proponents are too cavalier about NMD's political implications and its psychological impact on Russia. Many also have what nuclear weapons expert Stephen Schwartz calls a "field of dreams" attitude—if we build it, it will work. This could also be described as a blind faith in technology. Most defense opponents, by contrast, remain stuck in the strategic and technological circumstances of the Cold War. Both sides need to reassess.

In the end, missile defense is not a good ideological issue—not something to passionately champion or to fight steadfastly against. Zealots should spare us their tired polemics. The right solution to the NMD question is moderate and nuanced—less dramatic than the Star Wars scenarios envisioned by Ronald Reagan or George Lucas. That may not be very exciting, but life often isn't. That's one of the differences between Washington and Hollywood, after all.



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# Mbeki's Uphill Challenge

*Leonard Thompson*

## AFTER APARTHEID, A STRUGGLING SOUTH AFRICA

FIVE YEARS AGO, the West cheered the fall of white supremacist rule in South Africa. Many assumed that a saintly Nelson Mandela would preside over a new era of racial harmony and economic prosperity that would heal apartheid's wounds. Would that it were so. The new South Africa that Mandela has bequeathed to Thabo Mbeki is still, alas, beset with many serious problems.

On June 2, 1999, the African National Congress (ANC) won 66 percent of the vote in South Africa's second nonracial election. Two weeks later, Mbeki was sworn in as South Africa's second democratically elected president. Mbeki's election was a reminder that a democratic constitutional and legal order is taking root in South Africa. Its new constitution is an elaborate, progressive document that bans discrimination on grounds of race, gender, ethnicity, religion, culture, or sexual orientation. Even otherwise truculent political parties proclaim their respect for the constitution, and there is now a Constitutional Court committed to upholding it. Under Mandela, Parliament purged the statute book of the ugly mass of discriminatory legislation central to apartheid. The Mandela government gave high priority to improving the impoverished black masses' quality of life and appointed unprecedented numbers of women to political office. South Africa has a free and vigorous press that does not hesitate to expose the country's problems and denounce politicians' errors, although it is generally careful to support the government's main goals. Moreover, after

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being treated as a pariah during the apartheid era, South Africa has finally rejoined the British Commonwealth and become an active player in peacekeeping diplomacy in tropical Africa.

The bad old days of apartheid are gone, and good riddance. Thousands of South Africans of all colors and classes are now dedicated to the success of the new South Africa and spend their lives working for a healthy outcome as the country moves away from its racist past. But they confront extremely formidable obstacles, which are the product of a complex blend of historical and contemporary factors. Colonialism and the horrors of apartheid have left a deep impression on all South Africans and have molded all South African institutions. But those effects weaken as time goes by. Increasingly, those living in the new South Africa determine the country's destiny. For years to come, people will argue about the extent of apartheid's responsibility for South Africa's ongoing woes, just as they argue about the extent of colonialism's responsibility for conditions in tropical Africa. But whatever the outcome of that debate, Mbeki today faces an uphill climb.

## A SOCIETY STILL DIVIDED

The Mandela government sought to create a "rainbow nation" from South Africa's multicultural components. To prevent resistance to majority rule and promote racial harmony, a magnanimous Mandela himself laid great emphasis on reconciling whites to the new order. He cheered for the largely white South African rugby team and wore its jersey, even though most blacks had previously boycotted international sports events or rooted for the foreign side; he paid a courtesy visit to the aged widow of Hendrik F. Verwoerd, the primary architect of apartheid; and he entertained his favorite jailer from the notorious political prison on Robben Island. The white minority (some 10 percent of the population) still owns most of the land and dominates South African industry and commerce. Under the constitution's "sunset" clause, which guarantees apartheid-era state employees' jobs until they retire, whites still occupy many—if not most—senior and mid-level posts in the bureaucracy and the judiciary. The result is that although there is a constant stream of white emigration, most of those who remain in South Africa now acquiesce in their loss of power.



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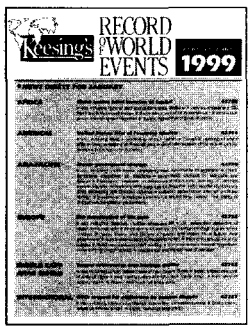


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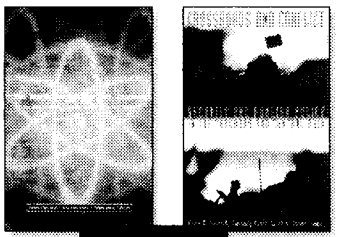

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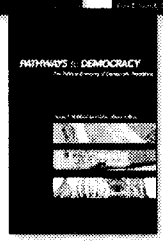

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Even so, apartheid has left a tragic legacy. Racist thought is still pervasive and racist behavior frequent. With few exceptions, people still socialize with members of their own race and identify themselves primarily as white, black, colored (mixed-race), or Indian, as they did under apartheid. Moreover, whatever their rhetoric, the political parties remain predominantly racial or ethnic in membership: the ANC is overwhelmingly black, the Inkatha Freedom Party overwhelmingly Zulu, and the New National Party and Democratic Party overwhelmingly white and colored.

Since there seemed to be no rational alternative in the post–Cold War world, Mandela and his colleagues pursued conservative economic policies—even though the ANC was formerly imbued with a strong dose of romantic socialism and the South African Communist Party is still an integral part of the ANC. The government opened South Africa to the global economy, hoping to attract massive foreign investment and develop export markets. But investment has fallen far short of what is needed. After years in isolation, South Africa's productivity is very low and its wages high compared to its developing-country competitors. Moreover, the gold-mining industry, the old standby of the South African economy, has declined as the price of gold has fallen and the cost of production in South Africa's aging deep-level mines has risen. The Asian financial crisis also had a serious spillover in South Africa because Japan, Malaysia, and other Asian countries had been major foreign investors. Consequently South Africa's economy has not grown substantially. The figures are disputed, but per capita GDP has certainly declined in the last five years, partly because the black population has been increasing quite rapidly. The value of the currency (the rand) has fallen precipitously. South Africa's foreign reserves are lower than those of 24 other emerging markets. Corporations such as Anglo-American and South African Breweries have transferred their headquarters to the United Kingdom, and many white, colored, and Indian professionals are emigrating, depriving South Africa of both capital and essential skills. In particular, emigration has decimated the medical profession. In response, South Africa has had to rely on doctors from Cuba, Russia, eastern Europe, and tropical Africa.

Meanwhile, ANC rule has dramatically changed South Africa's class structure. Whereas under apartheid social classes corresponded



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closely with race—whites at the top, coloreds and Indians in the middle, blacks at the bottom—there is now a small but powerful black elite that has been the main beneficiary of constitutional change. Cabinet ministers, members of parliament, judges, and members of the nine provincial governments receive salaries and perquisites that raise them far above the masses—and that are generous even by the standards of the United States and other industrialized countries. Black entrepreneurs benefit—sometimes unfairly—from affirmative action and political contacts, receiving lucrative contracts for public works. White companies and corporations often find it expedient to place blacks in senior positions, including on their boards. Many members of this new black political and business elite have adopted extravagant lifestyles. They live in rich suburbs, wear flashy clothing, drive top-of-the-line BMWs (often acquired as official perks), and send their children to expensive private schools.

South Africa's gap between rich and poor is a ticking time bomb.

Meanwhile, the lower classes' living conditions have scarcely improved. Blacks continue to pour from the impoverished former "homelands" created under apartheid into shacks or tiny houses in the cities. Black unemployment is enormously high—probably 40 percent or more. A government agency reports that if present trends continue, of the 250,000 people estimated to enter the job market every year, only 8,340 will find work in the formal sector of the economy. And although the government and private industry have made some progress in extending the supply of electricity, telephones, and clean water, vast numbers of blacks still lack all those facilities. Health care for blacks is poor, and AIDS is now having a catastrophic effect in South Africa, especially among the black masses. In July 1999, a report by Worldwatch, a U.S.-based conservation group, warned that the AIDS virus was poised "savagely" to diminish South Africa's working-age population and that, "barring a medical miracle," one in five South African adults would die of AIDS in the next decade. Such circumstances have debilitating psychological as well as physical effects on the masses, which augurs ill for their future.

In short, South African society is still sharply divided between rich and poor, but the rich now include black politicians, bureaucrats, and



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businesspeople while most of the poor are blacks struggling for survival. The material gap between the two classes is one of the highest in the world. "Comparative extreme inequality," Heribert Adam, Frederik van Zyl Slabbert, and Kogila Moodley have written, is "South Africa's ticking time bomb."

## LAW AND ORDER

SOUTH AFRICA has a dreadful crime problem. After the 1994 election, "political crimes" diminished, of course, and although ordinary crime remained high, it too may have decreased. Since 1998, however, murders, rapes, assaults, and violent robberies have reportedly risen dramatically. Surveys reveal that more than half the population feels unsafe, and 83 percent believe that the government has little or no control over crime. Even politicians and official buildings are not immune; in February 1998, police officers stole computers from Parliament itself.

Quantifying the problem is not easy. Official crime statistics are unreliable; few South Africans believe them, and some of them may be intentionally misleading. Since, by some estimates, probably no more than half of all crimes are reported to the police, one cannot accurately compare South Africa's crime rate to those of other countries. Moreover, South African government documents deduce startlingly different crime rates from the same data. They apparently agree that about 25,000 people were murdered in South Africa last year out of a population of around 43 million, but many official statements offer the palpably implausible figure of only 22.6 or fewer people killed out of every 100,000 South Africans. Some recent official statements more convincingly put the 1998 murder rate at 58.5 killings per 100,000 South Africans—nearly 10 times the U.S. rate of 6.3 murders per 100,000 Americans. Other government documents admit that South Africa has the world's highest rape rate and that South Africa's rates for most violent crimes are very high compared to the United States and many other countries.

The rich live behind walls topped with barbed wire; the poor cope as best they can. For many, crime is a way of life—the only way to survive. Organized gangs are now responsible for much large-scale crime in South Africa. Some are indigenous; others are run by foreigners,



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notably Nigerians and Russians. They export large quantities of drugs and stolen cars, often in collusion with police or other officials. The exceptional prevalence of crime is a drag on the South African economy and a cause of the dearth of foreign investment and the emigration of people with skills.

South Africa is also becoming a more corrupt society. As happened in many tropical African countries after they became independent, many blacks exploited their first opportunity to accumulate wealth by foul means as well as fair. Most members of the central government are said to be clean, but the Departments of Social Welfare, Safety and Security, and Justice have become notorious. In 1996, 46,000 pension claimants were found to be dead, and 26,000 people received duplicate pensions. Sacks of letters have been misappropriated by postal workers. Lawyers have milked dry the Legal Aid Board founded by the apartheid government.

The police are a special case. Mandela's government inherited a white-and-black police force trained to maintain white supremacy, one that frequently tortured or even murdered its victims, as has been confirmed by the country's Truth and Reconciliation Commission. Many officers were deeply corrupt and lacked the most basic skills needed for conventional police work. So far, the government has not made much progress in cleansing the police. For one thing, even the police commissioner admits that about 30,000 of his officers—nearly a quarter of the total force—are functionally illiterate. Under the sunset clause, most white officers have held onto their jobs—including two-thirds of senior management. Although the government has called in American advisers, the force still contains many undisciplined cops, and many officers, black and white, are themselves criminals.

Corruption is also embedded in the provincial administrations, especially in provinces that absorbed civil services created by the apartheid regime in the "homelands." In Mpumulanga, the province east of Johannesburg, education department officials reported that about 7,000 students given passing grades in the school-leaving exam in 1998 had in fact failed. Moreover, in June 1999, Mpumulanga's premier defended his reappointment of an official who had admitted lying in what may have been a fraud scheme by saying that "lying wasn't the end of Bill Clinton's life, and I personally don't find it to be a very bad thing."



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Budgetary constraints, inefficiency, crime, and corruption have caused a serious decline in the quality of public services. To be sure of getting a letter or parcel to its destination, people must use expensive private couriers. Roads, especially secondary ones, are not maintained. The courts are clogged with cases. The hospitals are a mess. In May 1999, nurses at Soweto's Baragwanath Hospital (the country's principal hospital founded for blacks) told then–Deputy President Mbeki that thieves frequently stole drugs, food, and essential medical equipment, that they were afraid to work at night because they were threatened by gun-wielding thugs, and that those who reported criminals to the authorities were beaten up or killed. A month later, a panel of four senior state-employed doctors averted disaster by reporting that medical services in Gauteng (the province that includes Johannesburg and Soweto) were on the verge of collapse. They had a freeze on new doctors at Johannesburg's teaching hospitals canceled by saying that intensive-care patients would otherwise begin to die unnecessarily.

## THE EDUCATIONAL QUAGMIRE

A MAJOR CAUSE of inefficiency in South Africa is the quality of education, which is abysmal for blacks and declining for others. Under apartheid, the state provided white students with excellent educational facilities from primary school through university. The education available to blacks, on the other hand, was appalling, having been originally designed by former Prime Minister Verwoerd merely to prepare them for their status in apartheid society as unskilled or semiskilled workers in white homes, farms, and industries. Many black students active in the antiapartheid struggle fell for the slogan "Liberation Before Education," as a result of which black education virtually collapsed in some areas. Only a few blacks (though rather more Indians and coloreds) managed to attend private schools and fewer still to acquire higher education overseas, as Mbeki did at Sussex University in England. Consequently, many black members of the postliberation national and provincial governments, including bureaucrats, cops, and even schoolteachers, have had very little formal education—which goes a long way toward explaining many of the problems of contemporary South Africa.



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The Mandela government aimed to equalize educational opportunities and facilities for all South Africans and appropriated substantial sums for education. It opened all government schools to all races, overcoming white opposition. By 1998, there were 12.5 million students in South Africa's schools and universities, which employed a third of the total number of civil servants. Nevertheless, scarcely any improvement has been seen in education so far. Mandela's first minister of education was high on paper plans but very low on delivery. When his successor took over in June 1999, he reported that the education system was in crisis at every level, emphasizing continued inequality in access and facilities, low teacher morale, government and management failures, and poor quality of learning. With few exceptions, majority-black schools are mismanaged and ridden with crime. Students have been known to threaten teachers with murder if they mark exams too severely; one teacher was actually killed in front of his class by a student he had expelled. In the leading high school in Soweto, a reporter found that students in their twenties who have repeatedly failed their exams are role models for their teenage schoolmates. No wonder that many teachers are drunken and lazy, or that schools have difficulty recruiting teachers with even basic skills, or that—according to Jonathan Jansen of the University of Durban-Westville—fewer blacks are graduating from high school today than in 1994. No wonder, too, that some professors complain that many blacks with high-school diplomas are shockingly unprepared for genuine university work, or that the better universities often run remedial courses for entering students.

The universities founded for blacks are in serious trouble.

Indeed, the universities are in no better shape. The Mandela government inherited 11 universities that the apartheid regime had originally limited to white students, 1 originally limited to coloreds, 1 to Indians, and 6 to different ethnic categories of blacks. The white institutions were, of course, well funded. The others, especially the black colleges, had high student-to-faculty ratios, were controlled by authoritarian white administrators, and were housed in ramshackle buildings, libraries, and laboratories. By 1994, absolute segregation in



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the universities had been breached somewhat. In the university founded for Indians, for example, the student body had already become predominantly black. Today, with racially open admissions, black students form not only a distinct majority in colleges founded for coloreds and Indians but also increasingly large minorities in formerly all-white institutions.

Still, the universities founded for blacks are in serious trouble. The cash-strapped government needs tuition revenues, which remain low by Western standards, but many blacks cannot afford to pay them. Moreover, three of the colleges' administrations have engaged in serious corruption. In March 1999, for example, a government-appointed commissioner reported that the vice-chancellor of the highly reputed Fort Hare—the oldest university for Africans in sub-Saharan Africa—was inefficient, had run the university deeply into the red, had used money from the university's coffers to fund most of his daughter's education at Boston University, and had lost the confidence of the entire campus community—faculty, students, and blue-collar workers alike. The commissioner recommended that he be fired and that the place be closed down unless it put its finances in order.

Scarcely any black ANC members were educated in the former all-white universities, which had excellent international reputations. (Everyone knows the University of Cape Town medical school as the leader in heart-transplant surgery.) The government regards them as alien institutions—the product of white power. Although erstwhile all-white schools continue to receive the bulk of state funds for higher education, the government has cut their subsidies deeply, prodded them to admit more and more black students, and encouraged them to emphasize practical subjects such as accounting. These universities have also had to lower their entrance qualifications and, because of changing student preferences, shrink their humanities departments—a process enhanced by the step-by-step removal of history as a subject in school syllabuses. They have tried to improve their standing with the government by recruiting black instructors, but without much success; the small pool of well-educated blacks is in great demand for far more lucrative employment in business.



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THE POWER OF ONE

MANDELA, idolized throughout the world as one of the finest human beings of the twentieth century, is a hard act to follow. Mandela fought apartheid in South Africa and spent 27 legendary years in prison for his pains; Mbeki, by contrast, slipped out of the country at 19 in 1962 to attend Sussex University, his studies sponsored by the ANC. He remained in exile, serving the ANC in various capacities, until 1990. Mbeki is well read in English poetry as well as economics and revolutionary literature. His collected essays, *Africa: The Time Has Come,* reveal a politician repulsed by racism, intensely proud of being African, and imbued with a vision of a South African democracy, an African rebirth, and a global system purged of capitalist excesses. During the final apartheid years, as personal secretary to ANC President Oliver Tambo (who died in 1993), Mbeki was often the ANC's voice to the West. He also played a leading role in convening the meetings with white South Africa's business and political leaders that culminated in the formal negotiation of the democratic constitution. He was one of Mandela's two deputy presidents after apartheid fell in 1994 and has been responsible for the daily management of the government since 1997. Mbeki is a gifted and energetic man, much at ease with educated people, but he lacks Mandela's liberation-struggle credentials and common touch.

Mbeki declared that he would make his cabinet selections solely on the grounds of ability. In fact, although he shuffled ministers around, he retained nearly all of Mandela's cabinet, some of them incompetent. Like Mandela, he also included representatives of all major elements in the ANC, from businesspeople to former guerrilla generals. The result is a cabinet of 20 men and 8 women; of 20 blacks, 6 Indians or coloreds, and 2 whites. There were a few surprises, notably the promotion of Kader Asmal, the relatively effective minister of water affairs and forestry, to education minister; Nkosazana Zuma, the controversial but vigorous minister of health, to foreign affairs; and Essop Pahad, a friend of Mbeki's from his student days in England but not a full member of the previous cabinet, to minister in the office of the president. The most notable omission was the popular but turbulent Winnie Madikizela-Mandela, Nelson Mandela's former



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wife. Mbeki's appointment as deputy president of Jacob Zuma—who has risen high in the ANC hierarchy but has had no formal education or previous cabinet experience—warned that Mbeki has no intention of following Mandela's example and grooming a potential successor.

In his state-of-the-nation speech on June 25, Mbeki announced no major changes, but his tone differed from Mandela's and the priorities shifted from reconciliation (Mbeki did not use the word at all) to reconstruction. He challenged South Africans to cooperate with the government in building "a caring society" to "replace a society which in many instances has been and continues to be brutish and brutal in the extreme." Mbeki endorsed the previous government's conservative economic policies, emphasizing the need to increase the level of investment and savings. But although he accurately summarized the major problems confronting South Africa—including police inefficiency, the inadequate educational system, and "impermissible levels of crime and violence"—and promised laws to remedy them, his speech was short on specifics. In a brief reference to foreign affairs, he declared that his government would concentrate on helping to solve Africa's problems and he reiterated his belief in a vague "African Renaissance."

Mbeki lacks Mandela's liberation-struggle halo and common touch.

His critics believe that Mbeki has an authoritarian streak. They may have a point. Both his parents are dedicated communists. Mbeki himself spent nine months at the Lenin School in Moscow and sat on the Politburo of the South African Communist Party, although he let his party membership lapse in the early 1990s and it is not mentioned in his official biography. Mbeki does not like criticism. He tried to stop the Truth and Reconciliation Commission from publishing information about ANC crimes, but Mandela overruled him. He also believes in concentrating power. As deputy president, he won the right to appoint provincial prime ministers over the heads of the local politicians. He has accumulated unprecedented power in the presidency. On June 28, in the debate on his state-of-the-nation speech, he scathingly attacked some opposition parties, denouncing the tiny African Christian Democratic Party because its support for the death penalty and opposition to abortion reflected a "mean, angry, vengeful, soulless, and retributive theology."



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Since no opposition party received as much as 11 percent of the vote in the 1999 election, South Africa is a de facto one-party state. There are, of course, factions within the ANC. It receives support from two allies—the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU)—both of which continue to express socialist principles and claim that the government's economic policies are contrary to the interests of the working class. The SACP is a small party but, in a strange anomalous arrangement, it remains an integral part of the ANC and holds at least five cabinet seats. COSATU represents blacks and others fortunate enough to have jobs in the formal economy. Its differences with the government came to a head in a pay dispute in August, when 500,000 public servants staged South Africa's largest strike since the apartheid era, disrupting schools and hospitals. The government stood firm, but the clash of interests has not been resolved. Nevertheless, neither COSATU nor SACP leaders seem likely to split the ANC because they benefit from their association with government power. The same may be said for frustrated radicals within the ANC, many of whom look to Madikizela-Mandela for leadership.

Mbeki and some of his colleagues have made invigorating speeches, but there has been no discernible improvement in the state of the country. Mbeki is deeply committed to a healthy transition in South Africa from white supremacy to democracy. But he and his colleagues face stupendous odds: a weak economy that imposes dire budgetary constraints; appalling levels of crime, corruption, violence, and inefficiency; and a vast gap between the rich and the poor, which is compounded by the greedy behavior of some members of the president's own class—the powerful new black elite. The future of the country is still uncertain. South Africa may become reasonably stable, prosperous, and democratic, but one cannot ignore the danger that the country may be following the downward trajectory of tropical Africa.



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# A European "New Deal" for the Balkans

*Benn Steil and Susan L. Woodward*

## GREAT EXPECTATIONS

THE NATO CAMPAIGN in Kosovo has been hailed as a decisive turnaround in Western policy toward southeastern Europe. With Yugoslav security forces out of Kosovo and the inauguration of the European Union's Stability Pact at the Sarajevo summit of July 30, committing the EU to eventual acceptance of the area's states as members, Western publics are being told that the path has been laid for resolving the decade-long crisis in the Balkans. But nothing could be further from the truth.

The basis for long-term stability and non-nationalist politics in southeastern Europe lies in its economies, and here the picture is bleak. Croatia, once celebrated for its macroeconomic reform, is on the brink of a financial nosedive with 20 percent unemployment. The recent enthusiasm for Romanian economic reforms has given way to doomsday scenarios. In Albania and Macedonia, the economic effects of the Kosovo crisis have interrupted serious progress on recovery and reform and now threaten plummeting growth rates and political instability. A sharp decline in foreign aid for Bosnia will hit well before the reforms needed to create jobs are complete. And the great expectations for the EU's Stability Pact remain blocked at the region's center by the apparent durability of Slobodan Milošević's regime. Without a solid foundation for jobs, growth, and improved social

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welfare, the region could settle into a stalemate of chaos and Western crisis management for years to come—as locals already gloomily predict.

Beyond immediate humanitarian relief and reconstruction aid, the international community's current answer to this problem is conditionality: reform yourself, and then we'll talk. Reform is indeed vital. But the origins of the Yugoslav crisis lie in the collapse of reform efforts precipitated by the immediate post–Cold War political, economic, and security vacuum. As long as the West continues to view the crisis in terms of endemic nationalist conflict and ethnic hatred, rather than in terms of its own (remediable) policy failures, progress on reform will not be made.

The Balkans have reached a fork in the road. The political will in Europe and North America to act in Kosovo will not last. The two to three years remaining before Western attention turns elsewhere give little time to provide a framework for reform. An explicit strategy is needed now.

## THE LIMITATIONS OF AID

For the United States and Europe, the immediate legacy of the war in Kosovo is urgent humanitarian and reconstruction tasks. But the larger the bill becomes, the more tempting it is for the West to assign the cost to a larger and qualitatively different task: limiting further armed conflict and reforming dysfunctional political and economic systems. Financial aid will not accomplish this.

As in other war-torn parts of the world, the dangerous myth is being spread that much-needed private foreign investment will naturally follow major international aid. Bosnia proves the contrary. After $4.5 billion of multilateral commitments in 1996–98 and a massive inflow of bilateral aid, the Bosnian economy is scarcely more viable than it was when the Dayton Accord was signed in 1995. Reports of financial corruption among Bosnian officials who manage public and donor funds, combined with delays in creating the cumbersome Dayton-prescribed economic institutions, have driven away Western corporate investors. Meanwhile, as the international community shifts its attention to Kosovo, Bosnia faces the dismal prospect of beginning repayment on the principal of its foreign debt in 2002.



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Whether one looks at the slow delivery and disappointing results of aid, at the costs of debt repayment, or at official corruption and aid dependency, the conclusion is the same: Financial aid will not bring about a self-sustained, self-governed peace. Indeed, aid can even hinder it. Peace requires fundamental political and economic reform. Western assistance can be instrumental in achieving this. What is required is nothing short of a European "New Deal."

## EUROPEANIZATION

IN THE WAKE of Yugoslavia's violent dissolution, southeastern Europe's economy has become dangerously fragmented. Current political dynamics will keep it that way indefinitely. Insecurity over borders, national identity, and tenuous claims to sovereignty sustains trade, tax, and tariff regimes that aim at solidifying political control and enriching those in power at the expense of ordinary people.

The process of European integration has inadvertently fueled disintegration across the southeast. Nations such as the Slovenes and the Croats have struggled to detach themselves from the region and recast themselves as lost sheep of the West, returning to the European flock. Meanwhile, poorer areas are left out in the cold, since wealth is the primary criterion for EU attention. The end of Europe's Cold War political division should have enlarged the southeastern market and gradually incorporated it into stabilizing European economic and security systems. Instead, the conditionality approach to EU accession has encouraged a new division in Europe based on economic disparities. The result is a hardening of Balkan borders—bringing tariffs, smuggling, bribery, organized crime, and mutual suspicion instead of trade and investment flows.

Outsiders push Balkan integration schemes to counteract this development, but such efforts are doomed to fail in the face of local insecurity and political resistance. The Balkans need the leverage that can be achieved only by satisfying the region's single common aspiration: "Europeanization."

In practice, Europeanization means extending the cross-border monetary, trade, and investment arrangements that already operate within the EU across Europe's southeastern periphery. Upon absorption



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into enlarged European arrangements, each state must also eliminate corresponding economic barriers with neighbors that have already entered the fold. (Individual states will be free to make the required domestic reforms on their own schedules.) What the region is not achieving politically on an intraregional basis can therefore be achieved within a few years under the aegis of Europeanization. This "New Deal" should apply to all states in the region—Albania, Bosnia, Bulgaria, Croatia, Greece, Hungary, Macedonia, Romania, Slovenia, Turkey, and Yugoslavia—with no state's existing EU affiliations jeopardized or set back through participation.

By pursuing purely economic integration with the southeast, the EU would avoid having to impose political conditionality for participation, an approach that has proven dismally unsuccessful to date. Indeed, conditionality would be entirely self-defeating. Early staged entry into liberal European economic regimes will encourage private-sector development, reduce the state's economic role, underpin the rule of law, and increase the benefits of forswearing violent conflict over resources and national boundaries.

## THE MONETARY IRON CURTAIN

FIRST, the new integration agenda should tear down the monetary iron curtain that currently divides western Europe from its southeastern periphery. The EU could contribute enormously to stability by spreading Europe's single currency (the euro) to the region prior to full EU membership.[1] This would enjoy local popular support and provide the most tangible evidence possible of the EU's commitment to unifying the continent rather than marginalizing the Balkans.

Macroeconomic stability is vital to both political reform and economic growth. Without it, a state could face the same fate as Indonesia, where the political system and the economy were dangerously undermined by a collapse of the exchange-rate regime. Furthermore, foreign assistance for private-enterprise development will be useless unless macroeconomic stability—a clear prerequisite for rational business

[1]This position is also advocated in a recent working paper of the Center for European Policy Studies in Brussels, "A System for Post-War South-East Europe" (1999).



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planning and investment—backs it up. World Bank and International Finance Corporation (IFC) projects have performed poorly, and foreign private investment is lower, in countries with high inflation, bloated fiscal deficits, and steep trade barriers.

In turn, monetary and exchange-rate regimes must be backed by sufficient financial resources and credible institutions to weather the inevitable economic shocks. But the standard tools used to ensure price stability in developed countries, such as inflation targeting and money-supply targeting, are not enough in undeveloped states where the central bank lacks credibility and economic volatility is much greater. Hence a different approach is needed. One option is exchange-rate pegging, which has frequently been used to import monetary discipline and credibility from major trading partners with internal price stability—particularly the United States and Germany—to shakier economies. The deutsche mark has provided this monetary anchor in Croatia since independence and more recently in Macedonia. These currency regimes, however, may suddenly collapse when a country runs up a large current account deficit or investors fear a faltering commitment to the peg—as seen most notably in Thailand, Indonesia, Malaysia, South Korea, Russia, and Brazil. Such regimes may be buttressed by capital controls, but this means giving up much foreign investment. A radical but sensible alternative is to abandon national currencies and adopt a major currency—in this case, the euro.

Why the euro? First, monetary independence is often not conducive to high levels of foreign investment, economic growth, and political stability. Indeed, a sovereign currency in a developing country often acts as a risk factor that raises the cost of access to international capital; monetary sovereignty can also provide governments with an excuse for taking "exceptional" political measures that limit personal freedom and harm private business interests. Second, the deutsche mark already serves as a strong parallel currency in southeastern Europe, especially for large transactions. It is now Kosovo's currency under the international transitional administration. The people's monetary preference is demonstrably unaffected by nationalist sentiment. Debates over how well an expanded euro zone would approximate an "optimal currency area" could keep economics journals well stocked for years but have little practical meaning when the populace does not wish to hold the "official" national money.



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Moreover, currency boards of the sort that currently operate in Bulgaria and Bosnia are a poor alternative to spreading the euro. Even Argentina's eight-year-old regime is not robust enough to keep investors from viewing peso deposits as riskier than dollar deposits; peso deposits normally yield around three percentage points higher than their dollar counterparts, rising to double digits during international market turbulence like the Mexican crisis of 1995. Nothing short of adopting the euro will eliminate these costly risk premiums in the Balkans.

Under an expanded European monetary union, the Balkans' central-bank functions would be either transferred to the European Central Bank or eliminated. Since there would be no traditional lender of last resort standing behind the national banking systems, financial reforms (requiring up to two years to implement) must be completed before this takes place. Better-capitalized Western banks would need to increase their presence on the ground, and much greater market discipline must be imposed on Balkan banks. To reduce insolvency risk, the governments should obligate local banks to issue bonds—say, equivalent to two percent of their total deposits. Bondholders would be barred from receiving government bailout money in case of a bank collapse. Bond yields would rise and fall as they are traded on the market according to investors' perception of the banks' insolvency risk. An extreme rise in bond yields would then provide regulators with a clear signal that the time to intervene has come. By using such market signals to gauge the health of these banks, the region's fledgling supervisory systems would significantly enhance their limited monitoring capacity. Such reforms are desirable in their own right. And although cynics could point to failure in much of the region's financial reform to date, preparing for the euro would be a far more effective catalyst for government action than conditional loans from the International Monetary Fund (IMF) and the World Bank aimed at reforming the banking system.

It is no secret that the euro's origins were political, not economic. But no political gesture could now better unify Europe, generate prosperity beyond the EU's borders, or raise the EU's world profile than extending the euro to southeastern Europe. Such a gesture would require no amendment to EU treaties and no expansion of monetary policy control beyond the current euro-zone membership.



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## EXPAND THE COMMON MARKET

ALONG WITH monetary stability, the Balkans' economic revival depends on a broad liberalization of foreign trade and investment. While the countries of the region have become less integrated with each other this decade, their comparative advantage in many sectors has favored growing ties with western Europe. Indeed, trade with the EU is becoming increasingly important to the region's economies. Even Macedonia now conducts 42 percent of its trade with the EU—not far below U.K. levels. On the other hand, economic integration plans limited to southeastern neighbors would achieve little. The region's governments will resist any external initiatives that might block their rapid and full integration into the West.

As with monetary policy, the EU must take the lead in trade and investment liberalization. It already has economic ties with non-EU countries like Switzerland and Norway that could adapt quickly to an integration agenda for southeastern Europe. In the course of meeting the legal requirements for participation, Balkan countries would have to slash trade and investment barriers among themselves. Thus what would be politically impossible on a purely subregional basis can be achieved on a European one.

Such a "New Deal" for the Balkans would first establish a free-trade area, modeled after the European Free Trade Association, which would slash all internal tariffs. That would be followed by a customs union—modeled after current EU arrangements with Turkey or Cyprus—to harmonize external tariffs with nonmembers. This push would conclude by establishing a full common market with all EU Single Market requirements based on the current European Economic Area, guaranteeing free movement of labor and capital. A free trade area could realistically be launched as early as next year. Countries could join the customs union and common market on a flexible timetable, so the most zealous reformers would enjoy the benefits soonest. Agricultural protectionism is the biggest stumbling block for trade liberalization on both sides, but a new World Trade Organization round must address the issue in any case.



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Spain and Portugal are good examples of how Europeanization can bring lasting political and economic benefits. Without any prior intra-Iberian preparation for integration, both states joined the EU in 1986. Today, they have firmly entrenched democratic government, GDP growth above the EU average, declining inflation, and excellent bilateral political relations.

The effects of war in the former Yugoslavia might suggest that the Balkans are different—but the right context can foster a similar transformation. Consider Bosnia, where the extremely low return rate for minority refugees is often seen as Dayton's primary failure. But the current obstacle to return is no longer security fears but economic concerns—notably the absence of jobs and houses. An expanded European common market would give a new, moderate Croatian government the economic carrot and political cover to let Serbs return from Bosnia, thus freeing up Bosniac and Croat houses in Bosnia. It would also benefit Bosnian internal integration. The NATO bombing campaign allegedly had the positive political effect of diverting the trade of the Bosnian Serb entity, the Republika Srpska (R.S.), from Yugoslavia to the Bosnian Federation. But it did so only at the cost of tripling the R.S.'s import bill, due to high tariffs on goods originating from Slovenia, Croatia, Hungary, and Austria. Eliminating such tariffs would not only sustain but also expand this trade dramatically, helping the R.S.'s moderate prime minister, Milorad Dodik, at the expense of radical Serb nationalists.

An expanded European common market would help refugees return and benefit Bosnian internal integration as well.

Farther south, Montenegro's independence movement is fueled primarily by anger over economic stagnation and growing anxiety that time is running out for economic reform. But a concrete Europeanization program would offer a viable alternative to a very risky political gamble on outright independence that could threaten further instability and violence in the region. Throughout southeastern Europe, centrist, pro-Western liberals are reemerging in politics. The Western mistake in 1990–91 was providing insufficient support for these reformers. It would be a tragedy to repeat that error.



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## KEEPING THE STATE IN CHECK

THE WEST should manage economic development aid by principles different from those guiding humanitarian and postwar reconstruction aid. The latter addresses immediate economic needs, whereas the former should foster market economies. But development aid channeled through state institutions is more likely to hinder than help such a transformation. Corruption and mismanagement of public and donor funds, particularly egregious in Bosnia, are only one part of the problem. The other pitfall of channeling aid through governments is that it reinforces state patronage and protectionism and inhibits new private businesses and cross-border economic ties.

Outside aid will complement the strategy of Europeanization most effectively if it supports nonstate actors. Development assistance should therefore be extended directly to private local institutions or be used to leverage private Western financing of Balkan projects. Cross-border projects will have the added benefits of exploiting regional economies of scale and stimulating complementary investment and trade. Since they promote cross-border cooperation on the basis of mutual economic self-interest, they would be less likely than state initiatives to be disrupted by political disputes. Finally, the West should make equity investments in Balkan business a priority. The region is already awash in debt. Diversified equity portfolios of new and existing enterprises in transition economies have historically yielded much better returns than debt for given levels of risk, making equity investment far more cost-effective from the donor's perspective.

## THE PROBLEM OF SERBIA

ANY STRATEGY aimed at ending the Balkan crisis will fail if it does not include the region's center: Serbia. Western governments face a serious political dilemma as long as Yugoslavia is ruled by leaders indicted for war crimes. Time matters, and the continuing isolation of Serbia makes the process of political change and economic reform far more difficult and prolonged.

If paired with a clear message and European commitment to the Serbian population, the indictments do provide a way out of this



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dilemma that the sanctions regime did not. By distinguishing between culpable leaders and the Serbian people, and between specific indictable offenses and ethnically defined guilt, the West can construct a real policy toward Serbia as a normal part of the region. It must first communicate its commitment clearly after years of shifting goal posts and pursuing policies that have helped Milošević instead of the opposition. No positive political change can occur until the damaging psychological effects of isolation are reversed and the legitimacy of a pro-Western platform is restored after the damage done by the NATO bombing campaign. A concrete Europeanization program will provide the basis for anti-Milošević dissidents to transform themselves into a genuine political opposition, for professionals and lawmakers to prepare the technical groundwork necessary for Serbia's political reintegration into Europe, and for the West to resolve its dilemma without compromising its principles.

## NO ECONOMY WITHOUT SECURITY

BECAUSE CURRENT Balkan border controls are based partly on genuine security fears, a staged liberalization of the flow of goods, capital, and ultimately labor will actually increase these concerns. But technical solutions exist. Along with the economic program, security assistance should be provided to enhance surveillance of maritime and land borders, enable the use of fraud-resistant documentation by contiguous countries, increase information-sharing among national authorities, and improve the management of such information by law enforcement agencies. The initial work of the Southeast European Cooperative Initiative demonstrates that officials and professionals can cooperate over border issues if given the opportunity.

At the same time, the enormous amount of money and effort now devoted to developing the Bosnian border police and their customs-revenue collection runs counter to the liberalization necessary for ending corruption and political contests over economic resources. Since border controls and continuing fights over political autonomy serve the interests of rent-seeking politicians, smugglers, and criminals, the fact that actors outside the political system can benefit directly from a European "New Deal" is critical for its success. Until there are



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alternative avenues to wealth and welfare, independent of political loyalty, there can be little hope of true democratization.

NATO and the United States must maintain a presence in the region for some time to establish a stable environment for reforms. But beyond providing temporary security for the peace process in Bosnia and Kosovo, NATO must clearly underscore its commitment to Europeanization. NATO accession rightly requires conditionality to ensure the alliance's continued effectiveness. But this is a long-term process, and significant interim steps can be taken that would help stabilize the region. Just as NATO was essential to the Marshall Plan's postwar peace and European integration after 1947, it can reprise that same role in southeastern Europe today. The proliferating military bases in the region already provide the support for a NATO land headquarters. NATO should build on its new consultative frameworks to replace a strategy of containment with one of incorporation.

The EU's Stability Pact and its new accession process (the Stabilization and Accession Agreements) are a major step forward in Western policy. For the first time, the EU has committed a real prospect of membership to the states in the Balkans. But that is all it has done. It remains a shell without a strategy—and all the evidence suggests that progress will be painfully slow. By failing to send its message clearly, the EU threatens to worsen cynicism in the region rather than stimulate reform. As for the EU's regional approach, its conditionality principle remains the same: if a country meets certain standards, the rewards of staged relations will follow. But this approach has failed, keeping southeastern Europeans hostage to the interests of a handful of politicians while offering little prospect for a genuine regional transformation.

It is naive to think that sound money and free trade will end the Balkan crisis. But they are essential in raising living standards and halting the baleful trend of nationalist politics. Until this happens, issues of borders, sovereignty, and political orders will remain unresolved and exploitable.



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# Dayton's Incomplete Peace

*Ivo H. Daalder and Michael B.G. Froman*

## A FOUR-YEAR CHECKUP

A VISITOR to Sarajevo is struck by how far this city and country have come since Bosnia's brutal war ended just four years ago. This once-beautiful city that dominated headlines for much of the first half of this decade has seen significant reconstruction. Many of its facades are freshly painted, apartment complexes have been repaired, new houses have been built, the inner city bustles with activity, and the innumerable cafés are filled with animated conversation. And yet, it is also immediately apparent how far Bosnia still is from recovery. Nationalist politics and ethnic differences continue to dominate every aspect of daily life. The line dividing Bosnia's two entities is still regarded by nearly all who live there as a "border" separating friendly from unfriendly territory. What little economic activity exists directly relies on the foreign assistance that has flooded in since the 1995 Dayton Accord. But without substantial reforms, it would grind to a halt as soon as the foreign aid dried up.

Bosnia's post-Dayton reality is a complex one. Although the country has moved a long way from its war-shattered past, it still functions only because the international community has poured vast resources into it. Whatever progress has been achieved in Bosnia is due to the untiring efforts of foreign soldiers, diplomats, and aid workers to provide security for all individuals, to cajole and persuade the country's leaders

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to move forward one small step at a time, and to assist in the rebuilding of the physical and psychological infrastructure that was devastated by more than three years of war. Instead of moving toward self-sustaining peace and economic growth, the country's economy, politics, and even its security remain firmly dependent on foreign, rather than Bosnian, efforts.

Bosnia's reality presents the world with a choice: Either it follows what might be called the "Kosovo model" and takes matters into its own hands, using the power thus gained to build the multiethnic, democratic, and economically sustainable country that many hoped Dayton would achieve, or it settles for safeguarding the one clear achievement of Dayton—ending the war—by ensuring that hostilities do not resume. What the international community can no longer do is avoid this choice and continue to foster Bosnia's dependence on international goodwill in the hope that somehow and in some way this reliance will lessen over time. Four years after Dayton it is clear that this is unlikely to happen of its own accord.

## ON THE BRIGHT SIDE

DAILY LIFE in Bosnia today is immeasurably improved over what it was just a few years ago, let alone at the time Dayton was signed. Most striking is the fact that insecurity—individual as well as that of minority groups more generally—no longer dominates life the way it did for many months after the war ended. Ethnic divisions remain in nearly all levels of society, but there is no longer a sense that getting on with daily life requires overcoming fears about personal safety. The arrest of nearly 40 indicted war criminals by NATO troops in the last two years has contributed to this sense of security, even though many who committed wartime atrocities—including Radovan Karadžić and Ratko Mladić, the Bosnian Serb leaders indicted for unspeakable crimes—have not yet been arrested.

The palpable sense of increased security throughout much of Bosnia has led to an acceleration in refugee returns, with some 60,000 "minority returns" (refugees returning to areas where they are in the minority) expected in 1999—a 50-percent increase from 1998. Although this figure is modest compared to the nearly one million



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that continue to be displaced in Bosnia and abroad, it is significant that three out of four people going back to minority areas do so without international assistance or sponsorship. Serbs once again constitute a majority in Drvar, Bosnians have returned in great numbers to Stolac, and thousands of Croats and Serbs moved back to Sarajevo this year. Minorities are even returning to formerly notorious sites of "ethnic cleansing."

Although Bosnia remains deeply divided into ethnic groupings, some of the joint institutions founded at Dayton are beginning to bridge these divisions. Those that work best are ones in which foreigners play a particularly prominent role. The Central Bank, currently governed by a New Zealander, has successfully introduced the "konvertabilna marka," thus keeping inflation low and restoring faith in Bosnia's currency. Even the Bosnian presidency, once a caldron of ethnic tensions, is showing signs of moderating temperatures, with the three presidents meeting regularly and adopting a common rhetoric—if not yet common policies—to address mutual problems. Increased cooperation in this and other government institutions (including the state border service, the standing committee on military matters, and police academies) reflects the emergence of a more moderate Bosnian Serb leadership as well as the decision by most Bosnian Serbs to abandon any hope of finding salvation in Belgrade following the Kosovo war.

Finally, a host of political parties, including many that cross ethnic lines, is competing for power in municipal, entity, and countrywide elections. Although nationalist political parties still dominate, increasingly open news media—especially in print, but also in television and radio—are providing new parties more opportunity to broadcast their messages around the country.

## UNFINISHED BUSINESS

DAYTON'S FIRST and most critical objective has been achieved successfully. Security, both personal and military, has been restored and the physical infrastructure has been rebuilt. But Dayton's broader goal of creating a multiethnic, democratic, and economically sustainable country is unlikely to be achieved if Bosnians and the international community continue along their current trajectory.



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Take the economy. In the aftermath of Dayton, Bosnia faced three economic challenges: postwar reconstruction, the transition from Yugoslav-style communism, and the creation and maintenance of institutions capable of sustaining a market economy. Bosnia has witnessed significant reconstruction since the disbursement of $3.7 billion in foreign assistance. On the other two fronts, however, it has made virtually no progress and shows few signs of doing so in the near future.

Bosnia's leaders show little commitment to the type of reforms necessary to create a prosperous, or at least sustainable, economy. Rather than champion economic reform, Bosnia's leaders act as though they were unreconstructed, Yugoslav-style communists mired in nationalist politics. Instead of lessening their grip on the country's financial sector, privatizing its assets, and creating an atmosphere that encourages private-sector economic activity (including foreign investment), they have maintained control and tolerate, if not participate in, a system rife with corruption—all in the service of what they define to be their nationalist political interests. For example, no real banking system has been permitted to develop because, to date, the Bosnians have insisted on maintaining the Yugoslav payments system, which allows them to track every transaction in the country and to skim off the top to fund nationalist political activities. The same type of ethnic politics now threatens to distort the privatization process.

Of course, Bosnia faces economic challenges that transcend nationalist politics and go to the heart of creating strong economic institutions: the creation of a transparent regulatory regime, a reliable tax system, and a judiciary with integrity, to name a few. In Bosnia, multiple approvals by a wide array of petty officials are required for almost any type of economic activity, opening the door to widespread graft. Taxes are unevenly collected. (It is believed that the nonpayment of taxes accounts for much of the oft-cited $1 billion lost to corruption.) And according to one senior member of the judiciary, 90 percent of the judges are viewed as compromised and needing to be replaced.

The result is an economy that has grown almost completely dependent on foreign aid. Even the most intrepid foreign investors, such as McDonald's, have all but given up on trying to do business there. Without major reforms, private inflows cannot take the place of



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the foreign assistance that will taper off in the next few years. Indeed, it is easy to imagine a situation in which the economy, rather than becoming sustainable, just grows smaller and poorer as the aid dries up.

## BOSNIA'S TRAP

THE COMBINATION of these problems creates a cycle from which it is difficult to escape. For Bosnia ever to become a functioning multiethnic society, refugees in large numbers need to return to their homes. Yet for refugees to go back home, jobs need to be created in these areas; to create jobs, economic reforms favoring private-sector activity and investment must be adopted; to institute these reforms, corruption and the leadership's commitment to communism and control must be eliminated; to defeat the culture of corruption, communism, and control, the nationalist dynamics of Bosnian politics must give way to a politics of reform; yet to denationalize politics, a multiethnic society must first exist.

It may be possible to escape this trap if Bosnia's leaders have a change of heart and fully commit themselves to implementing the economic and political reforms they have in theory accepted as necessary. Indeed, the prospect of the World Bank's four-year, $5.1 billion economic reconstruction program's drying up in 2000 may be just the kind of wake-up call that is needed. But given Bosnia's near-total dependence on foreign assistance of any kind, it is hard to imagine this will happen short of a serious crisis (e.g., one brought about by a complete withdrawal of outside aid). And a crisis that serious could have untold consequences for the country's stability.

Moreover, even if this cycle can be broken, it may be too late. The assumption that refugees will return home under the right circumstances is an increasingly doubtful basis for Western policy. Many refugees and internally displaced persons enjoy better standards of living in their new communities than they would if they returned to their former homes. The recent increase in refugee returns is still the exception, not the rule. If it is true, as refugee experts claim, that with each coming year the probability of a refugee returning home decreases by ten percent, the prospect of recreating Bosnia's multiethnic society is dim—and becomes dimmer with each passing day.



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## TERMS OF ENGAGEMENT

To MOVE to the next phase of Dayton—from the elimination of violence in Bosnia to the development of a heterogeneous, democratic, and economically strong Bosnia—the current level of U.S. and Western involvement must be reassessed.

The choices for future Bosnia policy are clear. At one end of the spectrum, international engagement could expand to take over many of the governing powers now left to the local parties, in order to force the necessary economic and political reforms. At the other end, their engagement could be scaled back and focused mainly on preventing a resumption of armed hostilities among ethnic groups. Although present U.S. policy is much more active than it was during the first 18 months after Dayton (for example, it has encouraged the international community to more actively enforce compliance with the agreement), it still falls well short of the requirements for fundamental reform. At the same time, international engagement in Bosnia is far greater and more expensive than necessary if its primary purpose is to prevent a return to hostilities.

The first policy option of attempting large-scale reform is now underway in Kosovo, where the U.N. administration—backed by more than 50,000 NATO-led troops—is authorized to take control of the territory's institutions with an eye toward creating democratic self-government. In the process, the transitional authorities have the mandate to create new political and economic institutions and are able, at least in theory, to force through any changes and reforms necessary to ensure their viability.

In contrast to this broad power in Kosovo, international civilian authorities in Bosnia possess little more than the power of persuasion. At times, such powers have proven effective—such as when the Office of the High Representative (OHR) forced through the adoption of a national anthem, a new flag, and license plates that do not reveal the owner's geographical origin. But as one senior OHR official told us, the OHR's powers are like those of the pope: it can issue an encyclical, but unless people believe, there is very little it can do about their behavior. In Kosovo on the other hand, the U.N. administration's powers are like those of the emperor: there is very little it cannot do.



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Even after four years of peace, the challenges in Bosnia loom larger in many respects than those in Kosovo. Communism is more deeply rooted in Bosnia than in Kosovo, where Albanians have grown accustomed to operating outside of state political and economic structures. Corruption has not yet become institutionalized in Kosovo as it has in Bosnia, although there are real risks of widespread criminality and semi-official extortion. And while destructive nationalism characterizes both societies, Kosovo, for better or worse, is close to becoming homogeneous, thus easing many of the complications that still confront Bosnia.

Moreover, the international investment needed for a successful transformation of Bosnia would be much greater than the already considerable investments currently in place there and in Kosovo. It would involve additional personnel capable of running major sectors of the government and even the economy. A larger international security presence—both military and police—would also be required. Criminal cartels would have to be eliminated, independent judiciaries would need to be set up, and individual compliance with new laws and regulations would have to be enforced. None of these changes will be easy to implement. All will be resisted, possibly violently, by those who stand to lose from large-scale reforms.

Bosnia's leaders are not likely to consent to what amounts to a virtual takeover of their government by the international community, since that would mean the demise of the very power from which they have profited so much. Even if a far-reaching governing mandate were granted, it is not likely that the United States or any other country would be prepared to pay the price for implementing the massive operation that needs to be undertaken, particularly given the competing demands of Kosovo.

## DO THE RIGHT THING

THE OPTION of increasing international efforts to create a multiethnic, democratic, and economically self-sustainable Bosnia may not be an option at all. Money from the official donor community is slated to decline. And there already is a perceptible redeployment of human, financial, and diplomatic resources from Bosnia to Kosovo.



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So rather than insist that Dayton will have failed if Bosnia does not soon become a multiethnic democracy, it is better to accept reality and concentrate instead on safeguarding Dayton's biggest achievement—ending the bloodiest war in Europe since World War II. From a military perspective, this possibility has the advantage of being achievable at much less cost than the current investment. Ten thousand NATO troops with a U.S. core—which could be rapidly reinforced—would be sufficient to deter military action by any of the parties. This force is one-third of NATO's current Bosnian presence and only half of what it plans to deploy in 2000. This deterrence mission is one the U.S. and NATO militaries have performed for decades in Europe and is fully consistent with their future security requirements. Moreover, banning force as a means to settle differences in Bosnia would be no small achievement.

On the economic front, the Stability Pact, announced at the Sarajevo summit last July, may create a much-needed incentive for Bosnians to do the right thing. It offers Bosnia and its surrounding region the prospect of integration into the European mainstream. Over time, the pull of Europe as a home for the Balkans could powerfully affect political and economic reforms in Bosnia.

Most important, this approach would place Bosnia's political and economic future where it belongs—firmly in the hands of the people themselves. It would present Bosnia with a fundamental choice: to accept its decline as nationalism, communism, and corruption continue to erode the political and economic systems, or to build on what the international community has accomplished and embark, however slowly, on the painful process of reform.

Generational change may help: those who led Bosnia during the war may never be able to leave behind their nationalist or communist mindsets, but future generations—drawn by the allure of a European identity—may be able to guide Bosnia down the right path. Modern-day Europe was not built in a day; a thriving Bosnia will not be either.



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# NATO's Success in Kosovo

*Javier Solana*

## EUROPE'S INSTITUTIONAL PACIFIER

NATO's KOSOVO OPERATION was a major challenge in the history of the Atlantic alliance. For the first time, a defensive alliance launched a military campaign to avoid a humanitarian tragedy outside its own borders. For the first time, an alliance of sovereign nations fought not to conquer or preserve territory but to protect the values on which the alliance was founded. And despite many challenges, NATO prevailed.

Throughout the 1990s NATO has been instrumental in managing Europe's security evolution—a testament both to the vitality of the transatlantic link and to its ability to adapt to changing circumstances. Yet if there was any flaw in this emerging cooperative-security framework, it was the fact that parts of the Balkans remained outside NATO's borders. Having never been fully resolved over the course of this century, the Balkan question returned with a vengeance when the violent collapse of the former Yugoslavia led to a series of wars.

These wars constituted the greatest challenge for European security since World War II. Apart from causing countless humanitarian tragedies, they constantly threatened to escalate beyond their point of origin and destabilize wider regions. The origins of these wars were manifold. Although no one denies the existence of economic crises and ethnic and religious fault lines, Serb leader Slobodan Milošević deliberately manipulated these differences into violent and explosive nationalism.

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The road to the 1995 Dayton Accord need not be recounted here. Suffice it to say that when the international community finally got engaged in Bosnia and pushed that country toward a sustainable peace, it did more than simply demonstrate that outside intervention can make a difference. The NATO-led international Implementation Force (IFOR) united more than 30 nations, including Russia, in a unique coalition for peace and became the symbol of a new cooperative approach to security.

## NO OUNCE OF PREVENTION

WHEREAS THESE DEVELOPMENTS marked a turn for the better, Kosovo took a turn for the worse. Ever since Milošević had withdrawn the autonomy of this province in the late 1980s, the potential for unrest among its Albanian majority had been growing, with the predictable result of strengthening those who advocated violence to achieve independence. Over the course of 1998, fighting between the Kosovar Albanian and Serb forces grew, with the latter adopting a strategy that increasingly resembled the kind of ethnic cleansing seen before in Bosnia.

As a result, neighboring nations, particularly Albania and the Former Yugoslav Republic of Macedonia (FYROM), were faced with the specter of instability caused by large numbers of refugees.[1] Equally worrisome were the implications of the crisis for the Bosnian peace process: to allow Belgrade's campaign of ethnic cleansing to continue unabated would have put the entire project of a multiethnic Bosnia at risk.

NATO had been taking measures to stabilize those neighbors by avoiding a spillover of the conflict. Both Albania and FYROM made use of the consultation opportunities provided by the Partnership for Peace mechanism. NATO held military exercises in both countries and advised them on how to control their borders and cope with the influx of refugees. The alliance also prepared several contingency plans for the eventual support of an international force.

Yet the situation inside Kosovo deteriorated further. In fall 1998, 300,000 Kosovar civilians fled their homes, 50,000 of them

[1]Turkey recognizes the Republic of Macedonia with its constitutional name.



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going to surrounding forests and mountains. As winter approached, many faced death from cold or starvation. U.N. Security Council Resolution 1199 of September 23, 1998—which demanded an immediate end to hostilities—spoke of an "impending humanitarian catastrophe" and characterized the developments as "a threat to peace and security in the region." But since the Security Council could not agree on a military response, the chances for inducing change from outside remained slim. Thus NATO faced the prospect of either witnessing a deliberately engineered mass expulsion of people in a region bordering NATO and the EU or addressing the Kosovo crisis in full.

## FIGHTING PAST RAMBOUILLET

FOR A WHILE it seemed that a set of bold initiatives by the international community would be able to avert this tragedy without military intervention. With the endorsement of the Contact Group, U.S. Special Envoy Richard Holbrooke negotiated the sending of unarmed observers from the Organization for Security and Cooperation in Europe (OSCE) into Kosovo to verify Belgrade's compliance with Resolution 1199. NATO would provide the OSCE observers with air surveillance, while its Extraction Force deployed in FYROM would help evacuate the observers in case things went wrong. NATO also supported Holbrooke's mission with military pressure on Belgrade: on October 12, the North Atlantic Council had approved the so-called Activation Order (ACTORD) for air operations against Yugoslav military assets.

Within weeks it became clear that Milošević had not stuck to the agreement. Instead, he intensified his campaign of piecemeal military assaults, hoping to remain below the threshold of triggering outside intervention.

When NATO brought the Serbs and the Kosovo Liberation Army (KLA) together at Rambouillet, France, in February 1999, it was clear to everyone concerned that this would be the last opportunity for a comprehensive settlement. After difficult negotiations the Kosovar Albanians signed the agreement on March 18. Milošević, however, rejected it. Indeed, while negotiations were taking place,



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CORBIS-BETTMANN

*Freedom from fear: Ethnic Albanians cheer as British NATO troops enter the province, Stimlje, Kosovo, June 1999*

the substantial buildup of Serbian forces in and around Kosovo indicated that Belgrade was preparing a large-scale offensive against the KLA and the Kosovar Albanian community. Obviously Milošević had never intended to accept a political solution. So on March 24, 1999, NATO began its Operation Allied Force.

Allied Force did not come out of the blue. It came about only after all diplomatic means had been exhausted. Still, it was a decision the allies did not take lightly. For the first time in NATO's history there would be sustained military action outside NATO territory against a sovereign state. Everyone involved knew about the risks: there would be inadvertent civilian casualties no matter how meticulous our planning, the operation would inevitably burden our relationship with Russia, and finally, we would end up with a long and expensive commitment to the future of Kosovo.

We decided that these risks were worth taking, for not to have acted would have meant that the Atlantic community legitimized ethnic cleansing in its immediate neighborhood. Having remained passive in the face of a conflict that, as British Prime Minister Tony Blair put it, seemed like "a throwback to the worst memories of the



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20th century" would have undermined the whole value system on which our policies were built. Inaction in the face of the Kosovar plight would have undermined our policies, the credibility of Western institutions, and the transatlantic relationship.

## A VICTORY FOR NATO

CONTRARY to widespread criticism, the air campaign achieved every one of its goals. Having seriously underestimated allied resolve, Milošević accepted the alliance's demands on June 3. After 77 days, with no casualties of its own, NATO had prevailed. A humanitarian disaster had been averted. About one million refugees could now return in safety. Ethnic cleansing had been reversed.

Some critics have alleged that the peace arrangements that Milošević ultimately accepted were less favorable to the international community than the Rambouillet agreement. This is nonsense. No Serbian forces remain in Kosovo. NATO's current peacekeeping force is more robust than anything considered previously. It supports a U.N. civil administration that is helping to rebuild Kosovo. Although the continuing acts of vengeance against the Serb minority are deplorable, the situation in Kosovo today is better than it was before the alliance intervened, and it continues to improve.

It was the unique allied cohesion of 19 democracies, including NATO's three new members, that was crucial in establishing consensus on the legal basis and legitimacy of NATO's actions. The ACTORD of October 1998 had already raised the difficult issue of whether NATO could threaten the use of force without an explicit Security Council mandate to do so. The allies agreed that NATO could—for it had become abundantly clear that such a step was the only likely solution. It was equally clear, though, that such a step would constitute the exception from the rule, not an attempt to create new international law.

## THE EUROPE OF THE FUTURE

ANOTHER LESSON of Bosnia has been heeded: the need to look beyond the immediate aftermath of the conflict to engage in a comprehensive rebuilding of the region. One of the centerpieces of NATO's



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Washington summit was its Southeast European Cooperative Initiative, which is now supporting the EU Stability Pact. Together, these initiatives signal a comprehensive commitment to establishing a viable political and economic order—not just in Kosovo, but across southeastern Europe.

In Kosovo proper, the challenge may be even more difficult than in Bosnia. No one harbors any illusions that, given the persistent hatred between the parties, reconciliation can be achieved within a few years. But the people deserve a chance. Despite well-publicized problems, they seem determined to take it. Indeed, the unexpectedly rapid return of refugees has been one of the most surprising and positive developments since the deployment of NATO's Kosovo Implementation Force (KFOR).

Contrary to widespread criticism, the air campaign in Yugoslavia achieved every one of its goals.

Another heartening development is Russia's decision to participate in KFOR. The significance of this decision goes far beyond Kosovo. Russia's engagement in this peacekeeping effort has put the wider NATO-Russia relationship back on track. After the Russian decision in March to withdraw from the Permanent Joint Council, this important forum resumed its work in late July and now once again serves as the focal point of NATO-Russia consultations and cooperation.

Implementing the many tasks ahead—from creating a new Kosovo police force to establishing new democratic political structures—will take much time and effort. One of the biggest challenges has been the demilitarization of the KLA under KFOR supervision. The KLA has complied with the terms of demilitarization agreed on in June and has relinquished all the required weapons. The U.N. Mission to Kosovo (UNMIK), working closely with KFOR, is establishing the Kosovo Protection Corps, a multiethnic civilian emergency corps modelled after the French Sécurité Civile. The corps will be prepared to respond to any disaster, to undertake search and rescue missions, to provide humanitarian aid, to help in demining, and to contribute to rebuilding infrastructure and communities. The United Nations has political authority over the Kosovo Protection Corps, but KFOR will actively monitor



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and supervise it. Many former KLA fighters will likely join this new force as part of their integration into civilian life.

There should be no doubt that the ultimate responsibility for peace in Kosovo rests with the local population, ethnic Albanians and Serbs alike. The international community can assist, but it will not allow a culture of dependency to develop. Yet without international engagement, progress is impossible.

KFOR will stay for as long as it takes to avoid conflict and build peace. Such a long-term military presence will have costs. Yet these costs become insignificant when one considers the consequences of inaction. Security in Europe still comes with a price tag, but it remains affordable. And as we have learned again and again, the price of indifference is far higher that that of engagement.



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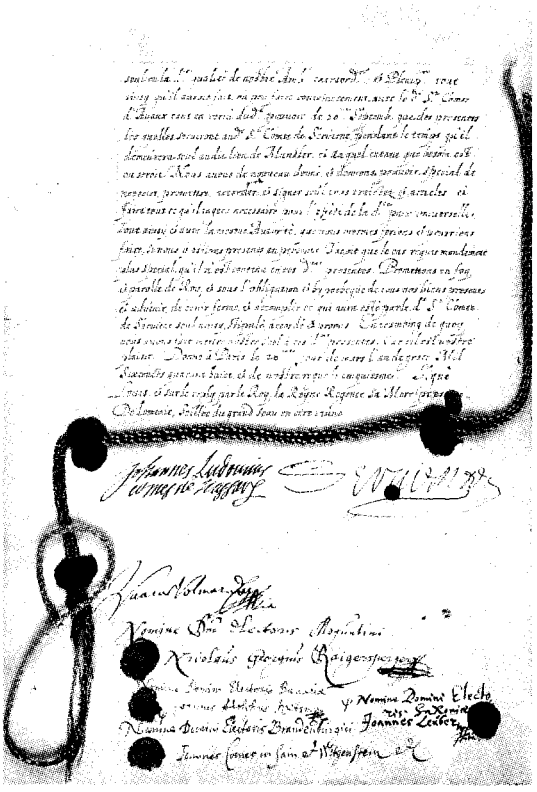
# Reviews



MÜNSTER CITY ARCHIVE (FROM A PRIVATE COLLECTION)

*The 1648 Treaty of Westphalia*

## No concept has been less understood or more misused than that of state sovereignty.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Review Essay

# Rethinking the Nation-State

## The Many Meanings of Sovereignty

*Josef Joffe*

*Sovereignty: Organized Hypocrisy.* BY STEPHEN D. KRASNER. Princeton: Princeton University Press, 1999, 264 pp. $49.50 (paper, $16.95).

In international politics, no concept is less understood and more misused than that of sovereignty. The term carries at least three meanings in everyday language. First, it denotes "supreme power"—as in Alfred Lord Tennyson's poem "Oenone," which celebrates "self-reverence, self-knowledge, self-restraint" as the only way to a "life to sovereign power." In a similar vein, Robert Burton, tongue in cheek, praises tobacco as a "sovereign remedy to all diseases." A second meaning of the word denotes autonomy, freedom from constraint, or independence. And the third definition can be found in John Keats' "Hyperion":

> For to bear all naked truths
> And to envisage circumstance, all calm
> That is the top of sovereignty.

Setting aside the poet's sense of sovereignty as a serene, Stoic state of mind, we are left with two basic, everyday meanings for the word: supreme power and autonomy or independence. This is how most people think when they talk about states and their sovereignty.

In that case, it is of course easy to poke large holes into sovereignty as a central tenet of traditional realist thinking about international politics. Supreme power? Not even the United States, the "last remaining superpower," has it. America's word is not holy writ; it certainly cannot treat the rest of the world in the manner of the Athenians, who famously told the intractable Melians that "the strong do what they can and the weak

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suffer what they must." When the United States goes to war, it usually feels compelled to ask for the approval of the U.N. Security Council. Living in a world of almost 200 countries, Washington must consult, convince, and coax other nations; only rarely can it coerce or ignore them.

This is even more true when it comes to autonomy, the second vernacular meaning of sovereignty. No nation is an island, and not even North Korea is autonomous (literally, "able to make one's own laws"). Nations have always depended on others for resources, support, or security. Even if not forced to do so, they have always compromised their autonomy in countless ways: through treaties, coalitions, alliances, institutions (with their constraints), and confederations.

Thus it seems to follow that there is no such thing as sovereignty. It follows further that the dominant model of international politics—the realist or balance-of-power construct—is as useful as a unicycle: you can ride on it, but not very well, if at all. If sovereignty is compromised in myriad ways, so is the conventional model that recalls G.W. Leibniz's "windowless monads" by assuming that states are like billiard balls: hard-shelled, highly polished units without bonding surfaces, propelled only by their internal dynamics, and doomed to a life of perpetual collision.

## REWRITING RULES

Here Stephen D. Krasner's most recent work, *Sovereignty: Organized Hypocrisy*, makes a most welcome appearance. Right away, Krasner cuts through a tangle of conceptual confusion by sorting out the many ways in which we use and misuse the term "sovereignty." His classificatory scheme is fourfold.

To begin, he rightly makes short shrift of the commonplace idea that sovereignty means freedom from external influences. What he labels "interdependence sovereignty" is usually expressed in pat phrases such as "state sovereignty is eroding because of globalization." Such bromides, Krasner argues, confuse "control" with "authority." Of course states are losing control over the flow of people, goods, pollutants, and currencies across their borders. But this has always been the case. In fact, "by some measures, international capital markets were more open before the First World War than they are now." So there is nothing new under the sun here, nor does the loss of control prove anything about sovereignty itself.

More interesting are Krasner's next three definitions of sovereignty. "Domestic sovereignty" is perhaps the weightiest of them all. Associated most strongly with Jean Bodin, Thomas Hobbes, and Jean-Jacques Rousseau, it is deeply rooted in the Western tradition of political philosophy. Hobbes taught that the only way to escape from the state of nature, really a state of war, was for men "to confer all their power and strength upon one man ... that he may reduce all their wills ... unto one will." There had to be a supreme authority that enforced the law and adjudicated conflict. "Domestic sovereignty," then, refers to that "final source of authority," as Krasner calls it, which exists in all polities—even in federal republics like the United States where power is widely shared. The locus of final authority may vary widely, from the politburo in China to a supreme court in the United States, Germany, or Israel. But there has to be such a locus; we would not call an entity without one a real state.



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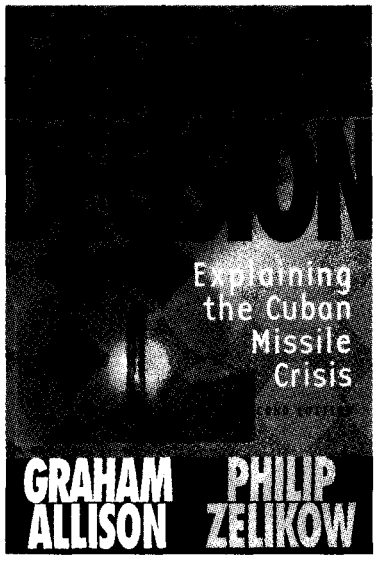


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"Domestic sovereignty" is part of the logic of statehood.

Next in Krasner's taxonomy comes "international legal sovereignty." This has a higher normative content than does "domestic sovereignty" (although even Hobbes' Leviathan or North Korea's Kim Jong Il cannot live by brute force alone but needs internal legitimacy as well). How do we know "international legal sovereignty" when we see it? Krasner proposes the following tests: "Is a state recognized by other states? Is it accepted as a juridical equal? Are its representatives entitled to diplomatic immunity?" In other words, it is not enough to seize power and control territory. Those who claim domestic sovereignty must be accorded the badge of acceptance by other states—implying that their claim is right and just. To be a proper actor on the world stage, a political entity must be so certified. In this respect, all states that fulfill the criteria are "sovereign"—whether puny or powerful, a city-state like Kuwait or a vast landmass like Canada.

Closely related to "international legal sovereignty" is Krasner's last definition, which he labels the "Westphalian model." It rests on two principles: "territoriality and the exclusion of external actors from domestic authority structures." Reduced to one word, it is the principle of nonintervention.

"Westphalian sovereignty" is a bit of a misnomer. For it suggests—wrongly—that back in 1648, at the end of the Thirty Years' War, the European powers agreed in Münster and Osnabrück to stop intruding on one another's domestic politics. It is true that the peace recognized the territorial sovereignty of the member states of the Holy Roman Empire, leaving about 300 princes in exclusive charge of their turfs. It also reaffirmed the principle *cuius regio, eius religio*, meaning that the ruler's faith became the official denomination of his state. Krasner calls this a system of "organized hypocrisy," and right he is, for states have never stopped interfering in the domestic affairs of other states—especially when they had the appropriate clout.

But Krasner also sets up something of a straw man, as a closer look at the Westphalian system actually designed reveals. To begin with, *cuius regio, eius religio* was compromised from the start by the principle of religious tolerance. Although those 300 sovereigns were the top dogs in their state churches, they were bound to respect the freedom of worship and conscience of their religious minorities. More important was the realpolitik of the settlement. The two victors and guarantors of the peace, France and Sweden, were granted the *right* of interference in the affairs of the Holy Roman Empire. Sweden even gained a formal right of participation in the Imperial Diet (as Krasner actually points out elsewhere in his book). So 300 years before the settlements of World Wars I and II, there was already a heavy whiff of Versailles and Potsdam in the Westphalian air: a massive dose of international supervision over the future internal arrangements of Germany. *Plus ça change....*

Still, "Westphalian sovereignty" is what we should mean when we say "sovereignty"—as long as we concede that there is a large "ought" concealed in the concept's core. We ought to treat other states as hard-shelled entities by respecting their territoriality as well as their right to noninterference. Empirically, of course, that has never been the case. Since Thucydides, the history of international politics has been the history of



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intervention, and Krasner's book provides a well-nigh exhaustive survey of how it has been done—when, where, by, and to whom.

As Krasner puts it,

> principles [of noninterference] have been enduring but violated. Rulers in more powerful states have justified violations of Westphalian principles by invoking alternative norms such as the illegitimacy of revolutionary regimes (the Holy Alliance), the provision of national security (the Platt Amendment imposed on Cuba by the United States), problems of drug running (the 1989 U.S. invasion of Panama) or the protection of the Soviet commonwealth (the Brezhnev doctrine)."

The list is endless.

#### METHOD IN THE MADNESS

So what? Krasner's real project is not taxonomy, but theory. How best to understand a world of so-called sovereign states? What, if anything, has changed? Krasner's problem is not easily cracked. How do we wield a concept that is both normative and empirical, that describes both the "ought" and the "is?" On the inside of states, "domestic sovereignty" is clearly a reality; there is in the United States, for example, a president who is the supreme commander; there is a Treasury Department that alone may print bills and mint coins. On the outside, "international legal sovereignty" is also for real. We do treat other states, vast or measly, as juridical equals; we accept their right to representation in the United Nations; to them alone do we grant the authority to sign contracts and conventions.

But the issue becomes tricky when we turn to "Westphalian sovereignty." Under this system, all states are pledged to the billiard-ball model, to noninterference and nonintervention, and there is a vast apparatus of international law to go with it. Except not only do they ignore that "ought" in the crunch (if they have the wherewithal). They also undercut the principle voluntarily, by *allowing* others to penetrate their hard shells in myriad ways. They conclude conventions such as the one Francis I of France and Suleiman the Magnificent signed in 1538, which, as Krasner notes, provided for the exemption of foreigners from Ottoman taxation and for them to be tried under the laws of their home countries in consular courts.

Later on, in Vienna in 1815, minority protection was extended to ethnic groups such as Poles living in Prussia, Russia, and Austria. After World War I, minority treaties were even embedded in national law. So the breach of the Westphalian model was never just a matter of coercion or imposition; it also involved contract and convention. Add to this the more recent human rights conventions of the United Nations, voluntarily shouldered by states, which seek to constrain rulers from inflicting their nasty habits on hapless subjects. This leads to something of a paradox: "The very fact," notes Krasner, that "rulers could freely sign such agreements [limiting their domestic sovereignty] is an affirmation of their international legal sovereignty"—of the fact, in other words, that "they are recognized by other states as competent to enter into international accords."

So what does it all mean? Krasner's problem is this: If Westphalian sovereignty is "organized hypocrisy," can we still understand the world in its terms? His response is ambivalent, and rightly so. Krasner faults the realists for standing on a state- and sovereignty-centered



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foundation while ignoring the fact that that foundation is, and always has been, crumbling (although without ever disintegrating). But Krasner is too smart (or is himself too much of a realist) to plant his flag among the new conventionalists of international relations theory, be they institutionalists, constructivists, globalizationists, or interdependentists.

Those who are not drawn to the battle of the schools, which Krasner renders with impressive analytical insight in his second chapter, will profit handsomely from his last, the conclusion titled "Not a Game of Chess." Although he starts out by (again) castigating the realists for ignoring the forces that have undermined sovereignty and autonomy since the days of Francis and Suleiman, he politely applies his analytical scorn even more liberally to correcting the "new worlders"—those who see globalization as a novel and radical phenomenon.

Take increased capital flows, which are said to undermine the state. "The degree of change from the past and the extent to which global capital markets have been fully integrated have often been overrated." Take the foremost multinational of its time, the German Fuggers. Krasner aptly quotes the great French historian Fernand Braudel: "The empire of this huge firm was vaster than the mighty empire of Charles V and Philip II, on which as we know the sun never set." He points out that in the nineteenth century, a quarter of British wealth was invested overseas—something that cannot be said of the United States or Germany, the world's top traders, today.[1] International trade flow as a fraction of GDP? It rose rapidly until 1914, then dropped until the mid-1940s, not reaching "earlier levels for some countries until the 1980s." International migration? It was at its highest level in the latter part of the nineteenth and early part of the twentieth century. The spread of disease? Forget AIDS and recall the Black Death that claimed the lives of one-third of Europe's population in the fourteenth century.

The most interesting point is that globalization and state activity, rather than being inimical, have actually risen in tandem. Given that European peacetime government spending has soared from about 10 percent of GDP in the nineteenth century to about 50 percent today, how has the state been rendered obsolete or moribund? Indeed, how can we even posit obsolescence in the face of the relentless multiplication of state sovereignties? Not even 50 such entities were present at the creation of the United Nations; today there are almost 200.

The most interesting case institutionalists and integrationists can make today is that of the European Union. There is no gainsaying the fact that its members have voluntarily relinquished (but not truly alienated) sizable chunks of sovereignty and autonomy. One dramatic instance is monetary union, launched in January. That was the end of national monetary policy, and 2001 will spell the end of the sovereign minting prerogatives of 11 states. European national courts accept the verdicts of the European Court of Justice.

[1] On this, see in particular the figures supplied by the intellectual father of all neorealists, Kenneth N. Waltz, in his seminal piece "The Myth of International Interdependence," in Charles P. Kindleberger, ed., *The International Corporation*, Cambridge: MIT Press, 1970.



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European "desovereignization" is now like a coral reef: it keeps sprouting as we speak, and no European "states' righter" has yet proposed taking an axe to it.

### RENAMING THE GAME

So Krasner is right when he concludes that the "international system is not a game of chess," that sovereignty, in its multiplicitous meanings, is not an "accurate description" of the real world. But is there a sharper construct to be found? Would Krasner do away with the iron-clad distinction between domestic and international politics—between the authoritative, legitimated ways of political communities within and the self-help system that dominates their lives on the outside?

Not really. Nor does Krasner deliver pat answers. Instead, he has cut through a lot of sloppy thinking with a breathtaking wealth of historical detail and analytical acumen, which is why serious aficionados of international politics should put *Sovereignty,* though not always easy fare, on their must-read list. Sovereignty, the author tells us, has been compromised in myriad ways, and the power of states has been curtailed by norms, conventions, and institutions. But in the end, the realist prevails. International politics *is* different from domestic politics, and states continue to live in a self-help system. Or as Krasner puts it in his last sentence, "In a contested environment," also known as the state system, "clubs can always be trump."


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Response

# A Perfect Polemic

## Blind to Reality on Kosovo

*James B. Steinberg*

During the war over Kosovo, most criticism of NATO's efforts fell into two categories. Principled critics understood that important U.S. interests were at stake and that the cause was just but questioned the way NATO conducted the war. Rejectionist critics simply saw no reason to be concerned about the expulsion or murder of a whole people on NATO's doorstep. Since the war ended, the principled critics have largely shifted the focus of their skepticism to postwar challenges, urging the allies, appropriately, to make good on their pledge to seek a more tolerant Kosovo, a democratic Serbia, and a stable, integrated southeastern Europe. Most accept that President Clinton's strategy ultimately succeeded: ethnic cleansing was not only reversed but reversed in a way that kept NATO together, prevented the destabilization of neighboring countries, and kept Russia engaged without sacrificing NATO's stated goals.

But to the rejectionist critics, NATO's success remains an inconvenient fact that cannot be allowed to get in the way of preconceived notions. Michael Mandelbaum's article places him squarely in this category ("A Perfect Failure," September/October 1999). His broadside refuses to see the slightest redeeming feature in ending Yugoslav President Slobodan Milošević's brutal and destabilizing campaign of atrocities. It is built on sweeping assertions that crumble on examination, unsupported assumptions about U.S. Kosovo policy, and predictable digressions on everything from NATO enlargement to Haiti to Iraq—all leading to a bitter and overly personalized trashing of Secretary of State Madeleine K. Albright. The only unifying principle I can discern in this attack is, "If the Clinton administration is for it, it must be wrong."

JAMES B. STEINBERG is Deputy Assistant to the President for National Security Affairs.



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**BETTER OFF AS WE ARE**

Start with Mandelbaum's most fundamental assertion: that NATO failed because the people of Kosovo and the Balkans "emerged from the war considerably worse off than they had been before." This is a breakdown of logic so elemental that it boggles the mind. Imagine if Mandelbaum had been around to apply the same standard to the end of World War II: "Sure, the Nazis have been defeated," he might have written, "but millions are dead, half of Europe is under Soviet control, and most Europeans are a lot worse off than in 1939. What a perfect failure."

NATO's victory is not an occasion for joyful celebration; too many people have lost their lives and homes in Kosovo over the last year for that. And there is much hard work ahead to build a peaceful society that respects the rights of all its people. But the real question in judging success is not whether people are better off than they were before, but whether people are better off than they would have been had the West not acted. The answer to that question is clearly yes. Had NATO not acted, the Serbs would have continued their offensive; more than a million and a half Kosovars would today be sitting in camps or starving in the hills with no hope of return; Milošević would be strengthened; and in a region with many unresolved ethnic tensions, potential dictators would have learned the lesson that massive violence will draw no response from the international community.

Mandelbaum writes that we will never know if Milošević actually intended to expel the Kosovars until we have "access to such records as the Milošević regime may have kept." But there is already a historical record of Milošević's aims and methods: the record of his brutal campaigns against Croatia and Bosnia, both launched long before a single NATO bomb fell on his forces. The same paramilitary warlords who did the dirty work in those campaigns led the charge again in Kosovo, including the notorious Arkan and his "Tigers" and the "White Lions" of Serbian Deputy Prime Minister Vojislav Šešelj. What does Mandelbaum think these people were sent to Kosovo to do—negotiate with Kosovar intellectuals over coffee and baklava? Does he really think they somehow needed to be incited by NATO to commit again the crimes they had committed so often before? Mandelbaum also conveniently forgets about the killings Serb troops committed in Kosovo well before NATO acted, including the January massacre in Racak, which took place despite the presence of monitors from the Organization for Security and Cooperation in Europe (OSCE). He forgets about the 40,000 troops and 300 tanks Milošević massed around Kosovo as he pretended to negotiate for peace and about the tens of thousands of people they pushed from their homes in the five-day period between the end of the Rambouillet peace talks and the start of the bombing. Milošević's goal may have been "simply" to crush the Kosovo Liberation Army (KLA) rebellion. But his method of crushing rebellions has long been well established: it is ethnic cleansing.

If Mandelbaum doubts all this, he can ask the very people for whom he affects such sympathy in his article: the returning Kosovar refugees, who would tell him that NATO rescued them from permanent exile. He can also ask the leaders of Romania, Bulgaria, Macedonia, Albania, Bosnia,



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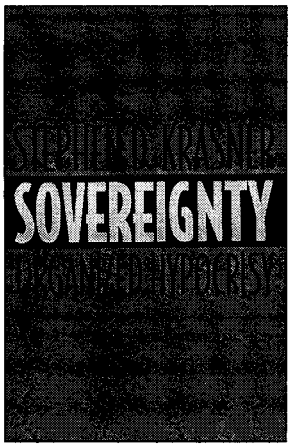

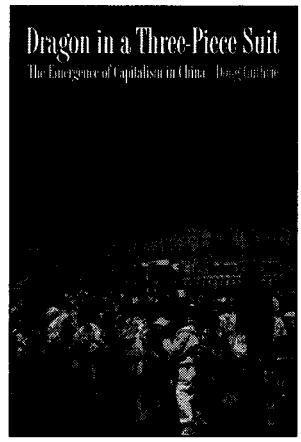


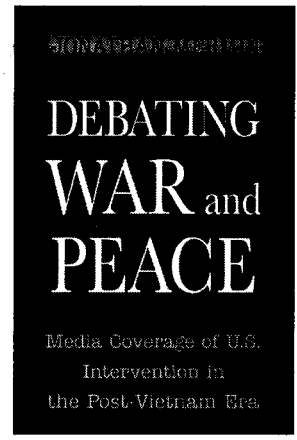


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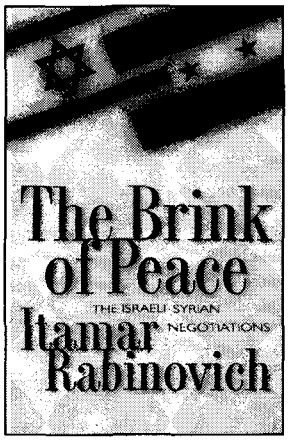


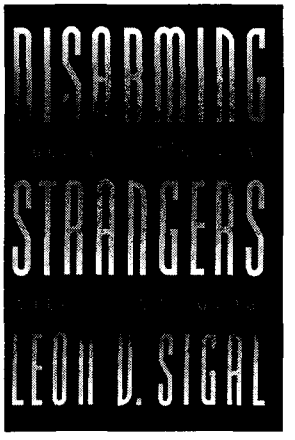


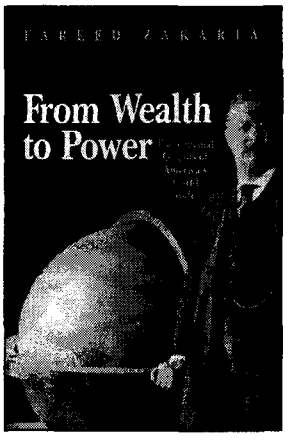


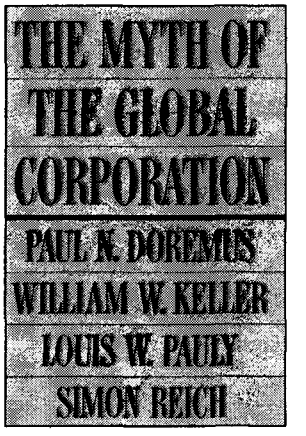


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and Hungary. He would find that none of them blames NATO for Milošević's decision to throw their region into turmoil, that all of them are grateful that NATO took a stand, and that all of them backed the alliance from beginning to end. He would find that real people get in the way of his hypothetical analysis.

Mandelbaum suggests that NATO might have avoided the horrors that befell the region's people had it made a "concerted effort to reinforce the cease-fire [in Kosovo] and strengthen the international observers." But that is precisely what America and our allies tried to do starting in October 1998, when Milošević agreed to cease his repression of the Kosovars and the OSCE launched an unprecedented effort, including the deployment of more than 1,000 monitors, to hold him to his word by peaceful means. Throughout this period, Serbian forces repeatedly violated the ceasefire, exceeded the troop levels to which their leader had agreed in October, and steadily increased their harassment of the international observers until it was impossible for them to do their jobs.

The February talks in Rambouillet marked the end of this diplomatic process, not the beginning, as Mandelbaum implies. The administration's central position at the talks—that a greater tragedy could be avoided only if Serbian forces withdrew from Kosovo while an international force was deployed—was absolutely right. It was the conclusion drawn from a year of hard diplomacy, going back to March 1998, when, with America's European partners and Russia, the United States first asked Milošević to pull his police out of Kosovo. If anything, Secretary Albright's assertion that "NATO went the extra mile to find a peaceful resolution," which Mandelbaum disparages, was an understatement.

Mandelbaum also mischaracterizes what happened at the Rambouillet talks. The plan the allies presented there did not call for a "referendum after three years to decide Kosovo's ultimate status." Instead, it offered an international meeting that would determine a mechanism for defining Kosovo's future, which would take into account the will of the people concerned, the opinions of relevant authorities, the degree of compliance by the parties, and the Helsinki Final Act. Moreover, the KLA delegates did not "refuse" to agree to the allies' plan for Kosovar autonomy. They accepted it in principle, went home, and then returned to accept it formally. Milošević's delegates never seriously engaged at the talks—because he was simultaneously preparing the offensive that he believed would destroy the KLA once and for all. That was clearly his fundamental aim from the beginning, and the "concessions" Mandelbaum suggests offering would have been highly unlikely to divert him from trying to achieve it.

Once Rambouillet broke down, NATO had little alternative but to act. Milošević would not accept any solution that required him to pull his troops from Kosovo. Those troops were starting their offensive, violating every previous commitment Milošević had made to the international community, and the situation was deteriorating rapidly. America and our allies hoped that military action would prevent further suffering. But we knew that it was equally possible that it would not and that a sustained campaign might be necessary to stop the killing and reverse the expulsions.



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And we were prepared to do what it took to win.

### A DOG IN THIS FIGHT

Mandelbaum's heart does not really seem to be in the policy alternatives he suggests. Perhaps that is because he sees little reason to care about what happens in faraway Kosovo, a place he dismisses as a "tiny former Ottoman possession of no strategic importance or economic value, with which the United States had no ties of history, geography, or sentiment." Overlook the sweeping insensitivity and historical myopia of that statement—hardly surprising from someone who also opposed NATO's effort to end the bloodshed in Bosnia in 1995—and simply focus on Mandelbaum's claim that "no national interest was at stake" in this conflict.

In fact, 19 NATO allies, with all the diversity of their political cultures and historical relationships with the Balkans, felt they had a compelling interest in ending the violence in Kosovo. A prolonged conflict there would have had no natural boundaries. The allies had an interest in not seeing Kosovars driven from their land, across national borders into fragile new democracies that would be overwhelmed and destabilized by their presence. If NATO had not acted, Kosovo's neighbors might have felt compelled to respond to this threat themselves, and a wider war might have begun. The allies clearly had an interest in preserving the stability of southeastern Europe—and protecting the strides it has made away from a violent past toward a more democratic future. And the allies had an interest in maintaining the unity and credibility of NATO, which would have been impossible had the alliance done nothing in the face of unspeakable atrocities committed at its doorstep—a lesson learned in Bosnia. One can dispute whether these interests justified NATO's decision to use force. But one cannot dispute that these interests exist.

Mandelbaum also argues that the conflict undermined far more important American interests—namely, U.S. relations with Russia and China. True, Russia strongly opposed NATO's action in Kosovo. But Mandelbaum neglects to consider what would have happened to that relationship had America let the slaughter of innocents continue in Kosovo simply because Russia objected to the use of force. It would have been far harder to sustain a domestic consensus for U.S.-Russian relations under those circumstances. It is far better to try to resolve the source of the tension itself: a decade of war and instability in the Balkans.

As it is, the Kosovo conflict is over. Russia played a key role in ending it. Just as in Bosnia, Russia and NATO now are serving side by side to keep the peace. And Washington and Moscow have already begun to refocus on their common interests: beginning discussions on a START III treaty, working together to get START II ratified and to preserve the ABM treaty, safeguarding Russia's nuclear technology and expertise, strengthening Russia's political and economic institutions, and more.

As for the bombing of the Chinese embassy in Belgrade, that was an error—tragic, but of the sort possible in any conflict. Surely Mandelbaum does not believe that Washington should avoid the use of force under all circumstances simply because a wrong target may be hit. And President Clinton's recent meeting with Chinese President Jiang Zemin in



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Auckland was a reminder that the bombing has not derailed the common commitment to strengthening this strategically important bilateral relationship.

### DOCTRINAIRE

Another basic mistake Mandelbaum makes is ascribing motives to NATO that were never shared by its leaders. For example, he writes that the political question at the heart of the campaign was "the proper principle for determining sovereignty." Since NATO fought on behalf of the Kosovar Albanians while embracing the Serb-backed view that Kosovo should remain part of Serbia, he claims that NATO's effort was an incoherent failure.

But NATO did not go to war in Kosovo over any principle of sovereignty. NATO fought to end Serb repression in Kosovo and to protect southeastern Europe from its consequences. The allies have long argued that the status of Kosovo should be settled peacefully—and thanks to NATO's actions, that can now start to happen. Kosovo's status could be settled far more easily if Serbia was a democracy and the Balkans were more closely integrated with Europe, goals to which the allies have made a long-term commitment.

Mandelbaum also asserts that NATO fought to establish "a new doctrine governing military operations in the post–Cold War era"—a doctrine of humanitarian intervention. But in initiating the conflict, President Clinton made it plain that NATO had a clear and limited rationale. The administration's goal was to stop a vicious campaign of ethnic cleansing in a place where important American interests were at stake and where America and its allies had the ability to act effectively.

Since the conflict ended, the president has said that when governments single out an entire people for destruction or displacement because of their heritage or faith and America can do something about it, America should act—in a way that takes into account both its interests and its values. Americans would rather not live in a world where whole peoples can be hauled off to the slaughter or driven into exile just because of who they are. And such tragedies can launch cycles of violence that throw whole regions into chronic turmoil, overwhelm the world's ability to help the innocent, and inevitably lead to future wars.

At the same time, President Clinton has never suggested that America can or should respond to every humanitarian tragedy the way it responded to Kosovo, or that military force is the only way to respond. In fact, East Timor shows that in some situations, U.S. goals can be better achieved through concerted economic and political pressure. How the United States responds to each case will depend on its capacity to act, on the willingness of others to act with it, and on the national interests at stake. The most important thing America can do is work with other nations and institutions, from regional organizations to the United Nations, to strengthen the collective capacity to prevent—and, if necessary, defeat—outbreaks of mass killing. That is the way to avoid both the heartlessness of doing nothing in the face of human suffering and the callousness of making promises we cannot keep.

### A PROUD LEGACY

Mandelbaum closes with an attack on the Clinton administration's overall policy in the Balkans and central Europe, which



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he calls the Albright "legacy." In fact, the American people can be proud of what Madeleine Albright, Warren Christopher, William Perry, William Cohen, Anthony Lake, Sandy Berger, and countless others have tried to help President Clinton achieve in Europe over the last six and a half years.

Americans can be proud that NATO has put to rest predictions of its demise—that it is united, adapting to meet 21st-century challenges, and strengthened by the addition of new members. (Today Mandelbaum denounces the policies that brought NATO to this point; ironically, when the alliance was still debating whether to pursue them, he was one of their strongest proponents. He wrote in 1993 that the admission to NATO of Poland, Hungary, and the Czech Republic would be "good for them, good for the West, and good for Russia." He argued that it would help begin the "necessary process of transforming NATO from a defensive alliance against a threat that no longer exists into a broader security community capable of contributing to the establishment of democracy and the maintenance of peace from the English Channel to the Pacific Coast of Russia," and that this process might well involve "undertaking out of area missions, such as policing a negotiated settlement in the former Yugoslavia.")

Americans can be proud as well that four years ago, the new NATO stopped the slaughter in Bosnia and helped put that country on the road to normality. Americans can be proud that in 79 days over Kosovo, America and its allies stopped the most terrible crimes against humanity Europe has seen since World War II. Americans can be proud that at the Balkan summit in Sarajevo this July, the leaders of every democratic nation in that long-troubled region joined with their fellow European and North American democracies to embrace a common plan for shared security and prosperity—not least because the promise of NATO and European Union enlargement have made them feel part of a new Europe. Americans can be proud that our country has been able to work through its disagreements with Russia, supporting its efforts to build an open and prosperous society within the European mainstream while defending American interests and staying true to American principles.

One shudders to think of what might have happened had America and its allies followed a different path. The Balkans would have been wracked by continuous conflict, crowned by the ultimate triumph of ethnic cleansing and genocide. Southeastern Europe would be overrun by refugees and would become a fertile ground for turmoil and instability. Ten years after the fall of the Berlin Wall, NATO would still be maintaining the Iron Curtain as its eastern frontier—that is, if NATO still existed as a functioning, relevant alliance. The new democracies of central and southeastern Europe would feel abandoned by the West, left to fend for themselves in their search for security. America's relationship with Europe would be frayed at best, and its relationship with Russia would suffer under the weight of these mounting tensions.

It is better by far to have worked to build a Europe undivided, democratic, and at peace. When the history of this decade is written, it will be said that the Clinton administration brought that goal within reach—and that in Kosovo, President Clinton and his fellow leaders did the right thing in the right way.



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# Dazed and Confused

## Smoke and Mirrors over Dutch Drug Policy

### Sober Up

JORIS VOS

Informed debate and analysis require reliable data and information, so I was disappointed to read Larry Collins' biased, unbalanced, and highly anecdotal article on Dutch drug policy ("Holland's Half-Baked Drug Experiment," May/June 1999). Not only does Collins not compare different types of drug policies and their outcomes, he makes many factual errors. To name a few:

The increase in cannabis use that Collins cites is also present in other European countries, so factors other than Dutch drug policy are obviously relevant. Cannabis use in the United States, for example, is much higher than in the Netherlands.

Collins' assertion that the Netherlands has twice as many heroin addicts as the United Kingdom is wrong. They have comparable rates of heroin use.

Also incorrect is Collins' statement that the percentage of THC (the substance that gives a pot-smoker a high) in the Dutch-grown marijuana known as *Nederwiet* is as high as 35 percent. The actual figure is 8 percent—only around 1 percent higher than that of foreign marijuana.

Collins reports an increase in cannabis use among youth in major Dutch cities, from which he infers that the "skyrocketing" rise (for which no figures are provided) in violent crime in those cities is due to increased cannabis use. But it has been scientifically established that cannabis does not evoke aggression, making Collins' linking of both (possibly untrue) observations highly questionable.

The description of slums in Rotterdam and Amsterdam should have included a comparison with such areas in other countries. Although some problems do exist in these places, they pale in comparison to those in the major cities of the Western world.

The drug policy of the Netherlands has evolved over the years with the consent of the Dutch people, who are, for the most part, satisfied with the results. Although our approach may differ from other countries', our goals are the same: reducing drug use and the harm it causes both the user and society. Any sober analysis of Dutch drug policy will reveal both some impressive results and some areas that require more aggressive action.



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Collins' article was not intended to further serious, responsible debate; it was a simplistic polemic about a problem that surely deserves more informed and factual treatment.

JORIS VOS *is Ambassador of the Netherlands to the United States.*

## Benign Veneer

JOSEPH A. CALIFANO, JR.

Larry Collins takes a clear-eyed look at the dangerous downside of Holland's drug laws, which have increased crime and addiction within the Netherlands—and beyond. His article strips away the benign veneer that some attribute to marijuana. Collins should be congratulated for reporting on the tragic ramifications of Holland's loose marijuana laws, which include an increase in the number of Dutch youngsters abusing and addicted to drugs.

JOSEPH A. CALIFANO, JR., *is Chair and President of the National Center on Addiction and Substance Abuse at Columbia University.*

## Human Nature

CRAIG REINARMAN AND PETER COHEN

Larry Collins asserts that Dutch policies have caused an "explosion" of heroin addiction and juvenile crime and claims that Holland has virtually become a drug-dealing state causing havoc in neighboring countries. But most of Collins' arguments are exaggerated, misleading, or false. Consider the following examples.

Since 1976, the Dutch parliament has supported decriminalization and harm reduction. But Collins does not quote a single Dutch official saying anything positive about Dutch drug policy.

Collins claims that Dutch-grown marijuana is "enormously potent," with a content of THC "as high as 35 percent." He cites studies by the Dutch Trimbos Institute when they appear to support his case—but not their Drug Monitoring Program's study showing that the average THC content of Dutch pot is 10 percent. Collins also neglects to mention surveys showing that most Dutch users actually prefer the milder strains of marijuana and that those who do smoke the stronger stuff use less of it.

Nor is there much reason to think that the Dutch drug approach has made much more of the population try marijuana. Recent surveys in Amsterdam, where marijuana has long been widely available, found that about 30 percent of the population had tried it; surveys in the United States, where nearly 700,000 arrests were made last year to reduce pot's availability, found that about 35 percent of people in comparably large cities had tried it.

Collins rejects official estimates of drug use in favor of unnamed "critics" who contend that there are 35,000 addicts in the Netherlands. But Collins never expresses this estimate as a rate and compares it to that of other nations. With a population of about 15 million, 35,000 addicts is 1 in 428 Dutch citizens. The U.S. government estimates that there are 750,000 heroin addicts in its population of 265 million, or 1 in 353



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Americans. Moreover, a 1998 report by the European Union (EU) Monitoring Centre for Drugs and Drug Addiction found that the Dutch rate of "problem drug use" was lower than that of most other European countries.

Collins quotes an unnamed French police officer who alleges that an "explosion" of "international trafficking groups" in the Netherlands was caused by "the light sentences" and "liberal attitude" of Dutch judges. But comparable nations with harsh laws and conservative judges giving heavy sentences also have their share of such trafficking groups.

Collins attributes a "skyrocketing growth in juvenile crime" and "acts of violence" to Dutch drug policy, arguing that marijuana use is most prevalent in big cities—as is violent crime. But correlation is not causation. There is more of every "sin" in every big city, and crime has also increased in countries with harsh drug laws.

Collins argues that the Netherlands' lenient drug policy has made it the "narcotics capital of Europe," as if the French or the Germans would never have found any drugs to use without the Dutch. This is not how humans or markets work. EU data on narcotics seizure show supplies of illicit drugs almost everywhere, and the Dutch share thereof has been stable for a decade.

Drug use among Dutch youth, Collins concludes, looks "remarkably similar to the youth drug scene elsewhere in Europe." He seems to think that this similarity damns Dutch drug policy, but it is really praise. Collins is correct: Dutch drug use is indeed not much different from that of most Western societies, including the United States. The Dutch just have less HIV infection, deaths from overdoses, and imprisonment—and less of almost every type of drug use.

Globalization is fast creating a multicultural world with multiple moralities and multiple lifestyles. One-size-fits-all drug policies are doomed. The Dutch have a rich history of nonabsolutist problem-solving from which many have learned much. But the Dutch are not proselytizing, claiming that they see drug policy's promised land. Neither should those pushing more punitive approaches.

CRAIG REINARMAN *is Professor of Sociology and Legal Studies at the University of California at Santa Cruz and Visiting Scholar at the University of Amsterdam's Center for Drug Research.* PETER COHEN *is Professor of Social Epidemiology at the University of Amsterdam and Director of its Center for Drug Research.*

# Collins Replies

The "informed debate and analysis" that Ambassador Vos calls for also requires an accurate reading of the article in question, something which apparently escaped the ambassador in his perusal of "Holland's Half-Baked Drug Experiment."

I did not write that the Netherlands has twice as many heroin addicts as the United Kingdom; I wrote that the Netherlands has twice as many heroin addicts *per capita* as the United Kingdom, one of the European countries hardest hit by the heroin scourge. That is hardly a tribute to the effectiveness of a drug policy that is now almost a quarter of a century old—one of the aims of which was to curb hard-drug use.

The statement that the percentage of THC in *Nederwiet* could rise as high as 35



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percent was indeed incorrect. The real figure, as reported by the Dutch Public Prosecutor's Office, is 40 percent. The prosecutor's report goes on to note that "the harmful effects of this variant can therefore be greater than those of hard drugs."

I did not "report" an increase in cannabis use among Dutch youth. I cited, first, statistics compiled by the Dutch Alcohol and Drug Information Center, which showed a 25 percent increase in the number of people asking for help in dealing with a cannabis problem in 1997, and second, J. A. Wallenberg, the director of the Jellinek Clinic and probably the Netherlands' leading expert in the treatment of addiction of all kinds.

The ambassador wants statistics? The *Telegraf,* an Amsterdam newspaper, published Dutch Ministry of Justice figures on January 29, 1997, showing that the number of juveniles involved in acts of violence had risen 85 percent in a decade. As I wrote, it was senior police officers in Amsterdam and The Hague—not me—who attributed much of that growing juvenile crime problem to persistent soft-drug users. This is due not so much to aggressiveness while the user is under the influence of marijuana but rather to the socially disruptive lifestyles that regular and heavy soft-drug use can produce.

There is no sound statistical basis for the ambassador's statement that "the Dutch people are for the most part satisfied with the result" of Dutch drug policy. No nationwide poll or referendum has ever been taken to determine what percentage of the population approves, disapproves, or is indifferent to the Netherlands' drug policy. One referendum of registered voters was taken on the subject in the Dutch-Belgian border town of Hulst—admittedly a special case, as the community is regularly invaded by Belgian hash smokers. Still, 96 percent of those polled wanted all the community's drug-selling "coffee shops" closed—hardly a ringing endorsement of the nation's drug policy.

Finally, the ambassador's letter fails to address the principal thrust of the article—namely, that the Netherlands' tolerant drug policies have turned his charming country into the drug-dealing capital of Europe.

### UP IN SMOKE

The letter from Craig Reinarman and Peter Cohen should be considered in the light of Cohen's statements in the Dutch press advocating the legalization of all drugs, including heroin, LSD, and Ecstasy. The Center for Drug Research, with which both authors are affiliated, is an active champion of such a policy.

In view of Reinarman and Cohen's concern for the statistics published by the government-funded Trimbos Institute, they might wish to contemplate this one, published in the institute's January 14, 1999, Hard Drug Policy Paper: "Drug use is considered to be the primary motivation behind crimes against property."

I did not attribute the "skyrocketing growth in juvenile crime" and "acts of violence" to drug use. The police officers in Amsterdam and The Hague who have to deal with the problem did.

Holland's role as the drug-dealing capital of Europe is indisputable, as attested to by the seizures of drugs of every kind pouring out of the country into Belgium, France, Germany, and the United Kingdom. The statistics form far too lengthy a list to print here; to take just one example,



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consider the 1998 seizure figures of the French Office Central des Stupifiantes, which delineate clearly the staggering amounts of heroin, cocaine, and Ecstasy flooding into France from Holland. Three times in the last two months, the police here in the south of France have broken up drug-trafficking gangs that journeyed regularly to Rotterdam to buy heroin in those houses I visited for a quarter or a fifth of what they could sell it for here. Are Reinarman and Cohen aware of the case of Ahmet Erka, who was convicted by the Dutch courts of importing tons of hashish worth millions of guilders into Holland? For that, he did a year and a half in prison—barely a slap on the wrist that greedily grabbed up all those guilders. That is why Europe's drug dealers prefer to do their business in Holland—and *that* is how humans and markets work.

Finally, Reinarman and Cohen are indeed correct to note that the Dutch have often had a "nonabsolutist" approach to social problems from which many have learned much. This is certainly true of their drug policies. Here, the lesson is evident: The Dutch model is not an example to be followed by the United States or the other nations of western Europe. Those who would have us do so are peddling a brand of high-minded, end-of-the-millennium snake oil.

LARRY COLLINS *is the coauthor, with Dominique LaPierre, of numerous books including* Is Paris Burning?, O Jerusalem!, *and* Freedom at Midnight.

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# Recent Books on International Relations

## Western Europe

STANLEY HOFFMANN

*Einstein's German World.* BY FRITZ STERN. Princeton: Princeton University Press, 1999, 335 pp. $24.95.

A superb and gripping collection of essays. The book's first half depicts how a group of distinguished German Jews grappled with German antisemitism, World War I, and their predicament as German patriots in a nation that did not fully trust them. The immunologist Paul Ehrlich, the physicist Max Planck, and the chemist Fritz Haber (who helped produce poison gas during World War I) all supported the German war cause; only Albert Einstein remained antimilitaristic and embraced Zionism. Meanwhile, industrialist and statesman Walther Rathenau was deeply ambivalent about his Judaism, holding the Prussian officer up as his ideal. With subtlety and compassion, Stern also offers a fine biographical sketch of Chaim Weizmann, the great Zionist leader whose faith in Great Britain later turned into bitter disappointment. The book's second half turns to broader themes in German history. Stern's essay on historians and World War I is a model of scholarship and humanity, contrasting the shrill nationalism of most German historians with the breadth and depth of views of scholars such as Henri Pirenne, Marc Bloch, and Elie Halévy. But Stern's attack on Harvard political scientist Daniel Goldhagen is an intemperate piece in an otherwise judicious selection, misrepresenting Goldhagen's case and failing to see that the two men are actually in basic agreement over the extent of antisemitism in pre-Nazi Germany.

*From Yalta to Berlin: The Cold War Struggle Over Germany.* BY W. R. SMYSER. New York: St. Martin's, 1999, 496 pp. $29.95.

A veteran observer of German affairs, Smyser has written a comprehensive and lucid study of Germany and the Cold War. His analysis of key historic turning points—the 1948 Berlin airlift, the Berlin crises, *Ostpolitik*, NATO's 1982 deployment of intermediate-range missiles, and Mikhail Gorbachev's reversal of alliances—is a model of dispassionate clarity and good judgment. In a shrewd dissection of Stalin's postwar handling of Germany, Smyser recognizes that Germany was divided because the occupiers decided that "they would rather have their own slices than risk letting their prospective opponents have the whole." His insightful account of reunification and its players pays tribute to Gorbachev for deciding



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that Soviet influence over all of Germany and western Europe mattered more than dominance over eastern Germany and eastern Europe. But Smyser's conclusion on Germany's changing role in Europe overstates the Berlin Republic's likely political influence. Berlin may be the geographical center of Europe, but the constraints of the European Union and Germany's economic and social difficulties, unmentioned here, make German preponderance unlikely.

*Mona Lisa's Escort: André Malraux and the Reinvention of French Culture.* BY HERMAN LEBOVICS. Ithaca: Cornell University Press, 1999, 246 pp. $29.95.

The latest in Lebovics' series of works on French culture, this ambitious book examines Malraux's ten-year reign as cultural minister under de Gaulle, depicting a man who saw culture as the "basis of the French nation acting for all of humankind." Under Malraux's guidance, art was made more accessible to the general public—but it was a "supply-side" vision of culture that fostered a form of outreach for creating audiences, not active participants. Nevertheless, Lebovics concludes that the French state's role has largely benefited "activities that would not have been possible if the society had had to wait for private benefactors or the recognition of some ancient Academy." He also underscores the state's crucial role in promoting the French language—even if it means restricting the diffusion of French culture. Regrettably, he does not examine the often misunderstood reasons for France's passionate attachment to its language, that cement of French unity. But he does conclude with a list of ways that French culture can be renewed: *francophonie*, decentralization, greater cultural democracy, and the proliferation of electronic media. A valuable contribution to our understanding of France and Malraux.

*Uneasy Asylum: France and the Jewish Refugee Crisis, 1933–1942.* BY VICKI CARON. Stanford: Stanford University Press, 1999, 730 pp. $65.00.

This massive work recounts one of the most distressing stories in twentieth-century French history—the treatment of Jewish refugees from 1933 to 1942. Caron shows how their fate was not a linear descent into ignominy but a winding one: the right ordered restrictions on refugee flows from 1934 to 1935, mainly for economic reasons, whereas the subsequent Popular Front pursued a far more liberal course. The centrist Daladier government of 1938–40 then lurched back to impose severely repressive policies for fear that refugees from Germany and central Europe would push for war against Hitler. It was under Daladier that camps were first established for the internment of foreigners, especially central Europeans, as "enemy aliens" when World War II began. Public opinion became increasingly hostile to refugees but remained torn between liberal and restrictive forces, middle-class professional organizations being among the most virulent of the latter. Meanwhile, the French Jewish community was not as indifferent as has sometimes been charged. Although Caron underscores the continuity between prewar and Vichy antisemitism, she also points out that Vichy represented a sharp break from French liberalism and the complex policies of the Third Republic in the 1930s—and that Vichy's ideological antisemitism was not at first "exterminationist."



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It later turned murderous only under the influence of French fascist elements, German pressure, and the amoral and supine behavior of Vichy official Pierre Laval.

*The Enlargement of Europe.* EDITED BY STUART CROFT, JOHN REDMOND, G. WYNN REES, AND MARK WEBBER. New York: St. Martin's, 1999, 188 pp. $69.95 (paper, $24.95).

A humorist could call this book "the enlargement of practically everything": NATO, the EU, the West European Union (WEU), the Organization for Security and Cooperation in Europe (OSCE), and the Council of Europe. Its authors are serious, however, in showing how and why these cases ranged from no enlargement (WEU) to cautious enlargement (NATO and the EU) to sweeping expansion (OSCE, Council of Europe). The chapter on NATO expansion disappoints by not probing the bizarre process of decision-making behind it, as American policymakers abruptly moved from supporting the Partnership for Peace to NATO expansion. Nor does it convey the intensity of the debate. But the chapter on the EU is more satisfactory. It points out that the European "federalist" vision has faded and predicts instead "differential integration" (varying degrees of integration for different members) as most likely for the future. The conclusion stresses the vagueness of the criteria for admission to these diverse organizations and underscores the different ways in which these conditions have been interpreted. The special importance of American and Russian roles is also given due recognition.

*The Franco-German Relationship in the European Union.* EDITED BY DOUGLAS WEBBER. New York: Routledge, 1999, 240 pp. $90.00.

The contributors to this valuable and instructive volume have framed the EU's Franco-German "axis" within the recent theories of European integration. The book shows that this relationship is better analyzed sector by sector than by generalization. Thus the authors cover not only relatively familiar ground (EU enlargement, monetary union, agricultural policy, foreign and security affairs) but also social and immigration policies, research and technology, telecommunications, and electricity. Cooperation has been particularly successful in constitutional matters and other politically salient issues, and when the ministries involved are oriented toward diplomacy rather than domestic clienteles; cooperation is also strong in areas where the EU exercises the most competence. Some issues are governed by an intergovernmental logic (where Franco-German cooperation is the most influential); others, such as telecom and utility liberalization, follow a supranational design. Finally, the authors argue, Franco-German influence in the EU is greatest where preferences were initially the most divergent, such as agriculture and monetary union. And they do not believe that German unification has significantly affected the partnership between the two countries.

*New Perspectives on European Development Cooperation.* EDITED BY MARJORIE LISTER. Boulder: Westview Press, 1999, 175 pp. $60.00.

In this volume, an international group of scholars analyzes the EU's policies toward developing countries. Most focus on the



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past and future of the Lomé Convention, which established economic links between the EU and African, Caribbean, and Pacific partners (most of which were once imperial subjects) and conclude that Lomé cannot be dismissed as a form of neocolonialism. They also explore the ties between development and human rights, the EU's inadequate concern over gender inequality, and the complexity of the EU's relationship with nongovernmental organizations as channels of assistance, using South Africa and Cambodia as case studies. The flaws and obstacles to partnership are also not overlooked; policy incoherence remains a hurdle and requirements of partnership and efficiency often clash. Little enthusiasm exists for debt reduction, and (as the editor points out) the EU tends to apply conditions to aid recipients it does not meet itself.

# Political and Legal

G. JOHN IKENBERRY

*Global Transformations: Politics, Economics, and Culture.* BY DAVID HELD, ANTHONY G. MCGREW, DAVID GOLDBLATT, AND JONATHAN PERRATON. Stanford: Stanford University Press, 1999, 540 pp. $75.00 (paper, $29.95).

The best study yet on globalization. The authors provide a sensible conceptual framework to gauge the great social, economic, political, and technological forces that are reshaping global relationships. Manifested through greater international interconnectedness, globalization is driven by many factors and takes many forms—which the authors neatly envisage in various developmental pathways. The future will surely be more globalized than today, but the authors admit that this in itself says very little. They instead break globalization down into parts and investigate the empirical record; chapters on violence, trade, finance, multinational business, and culture all provide a rich panorama of contemporary global change. The book concludes that globalization is best seen not as a linear process with a predetermined destination but as a broad historical shift marked by dramatic reversals and contradictions. For its part, state power is more a source than a victim of this phenomenon; politics made globalization possible and will shape its future as well. The book is less helpful in explaining the political reactions to globalization—resistance, backlash, accommodation—that will shape its future course.

*Social Theory of International Politics.* BY ALEXANDER WENDT. New York: Cambridge University Press, 1999, 432 pp. $59.95 (paper, $24.95).

A new "constructivist" approach to international politics has been gaining ground in recent years, emphasizing the role of shared ideas and norms in shaping state behavior. A leading figure in this movement, Wendt takes aim at realists and liberals who stress materialist or individualist causes of state action. For Wendt, the beliefs that states hold about each other determine international politics—and these ideas are constructed largely through social relationships rather than material realities. Power and interests do matter in world politics, but shared knowledge determines their significance in deciding whether states opt for balancing, cooperation, or war. The book first takes a winding tour



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of social theory to establish constructivism's underpinning before exploring alternative "cultures" of international relations—namely Hobbesian, Lockean, and Kantian. In the end, the picture of world politics that emerges is not that new, resembling the English School's "society of states" image. The more important contribution is the lucid rendering of the debate between realists, liberals, and idealists. Wendt shows how great the gulf is between these views—but also develops a language that will allow them to talk to one another.

*The Power of Human Rights: International Norms and Domestic Change.* EDITED BY THOMAS RISSE, STEPHEN C. ROPP, AND KATHRYN SIKKINK. New York: Cambridge University Press, 1999, 330 pp. $19.95 (paper).

A sophisticated inquiry into when and how international human rights norms change state behavior, tracing the way transnational advocacy groups, international organizations, Western states, and domestic opposition groups interact to put pressure on offending governments. The authors offer an elaborate model of the spread of the norms in which persuasion, sanctions, coalition building, and domestic institutions all effect political change. Cases drawn from Asia, Latin America, Africa, and eastern Europe tell the story of an international system—increasingly dense in human rights groups, multilateral agreements, and entangling norms—that can isolate illiberal regimes and push them to reform; South Africa, Chile, and the Philippines, among other cases, are probed. The authors argue that this changed international environment is ultimately more important than specific country features and economics in explaining the spread of human rights norms around the world. The conclusion draws useful lessons for policymakers and advocates alike, stressing the importance of carrots, sticks, and the combined efforts of the world community.

*Nations Without States: Political Communities in a Global Age.* BY M. MONTSERRAT GUIBERNAU I BERDUN. Cambridge: Blackwell, 1999, 208 pp. $59.95 (paper, $26.95).

Old nations that have long been integrated into larger Western states, such as Catalonia, Wales, Scotland, and Quebec, have recently reemerged seeking political recognition and autonomy. Guibernau dissects the sources of this rising substate nationalism and its future significance in world politics. His account first cites the well-known reasons for these movements: globalization, the proliferation of transnational identities, and the diffusion of political authority away from the nation-state. In western Europe, the relationship between the transfer of authority upward to regional political institutions and the transfer of political identity downward to smaller ethnic and cultural communities is also a familiar account. But the author then goes further and speculates that the future will see not a reshuffling of nations and states to achieve a closer fit but an emergence of more ambiguous and layered political communities. He also offers interesting speculation on the character of a "post-nation-state" that transforms traditional concepts of sovereignty and territory. What is less clear from the book is whether this story is unique to Europe or part of a wider global process.



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*The Rise and Fall of World Orders.* BY TORBJORN L. KNUTSEN. Manchester: Manchester University Press, 1999, 304 pp. $79.95 (paper, $24.95).

A Norwegian scholar explores the grand themes of war and global change, reviewing the major historical phases of great-power war and the creation of international orders. Echoing other scholars such as Robert Gilpin and George Modelski, the author traces the broad historical patterns of rise and decline: great wars destroy the old order and open the way for newly powerful states to organize postwar order—only to be challenged later by the next rising state. Although the analysis focuses on shifting balances of power, the author also stresses ideology and moral appeal in accounting for the success in building durable hegemonic orders. This allows Knutsen to save his most interesting comments for the discussion of the United States and the future of its world order. Nuclear weapons may have ended the great-power wars that would otherwise usher in new orders—but it is really America's "soft power" that has slowed down the historical cycle. The argument is not original, but its wide historical sweep is useful in putting the American century in perspective.

*Foundations of World Order: The Legalist Approach to International Relations, 1898–1922.* BY FRANCIS ANTHONY BOYLE. Durham: Duke University Press, 1999, 264 pp. $54.95 (paper, $18.95).

For those who think that the legalist approach to international relations began and ended with Woodrow Wilson, this book will be a surprise. Boyle shows that by the turn of the century, the United States already had a comprehensive agenda for extending law into international relations. Furthermore, it was initially championed by more Republicans than Democrats and even survived the debacle of the League of Nations' collapse. Focusing in detail on a series of American legal-institutional initiatives between the 1898 Spanish-American War and the 1919 Versailles peace settlement (such as mandatory international arbitration agreements and the International Court of Justice), the author reveals a larger legalist orientation that infused much of American foreign-policy thinking during those years and laid the foundation for further initiatives after 1945. The book tells a fascinating story of law and institutional innovation—but misses the opportunity to explain why some initiatives succeeded and others failed.

## Economic, Social, and Environmental

RICHARD N. COOPER

*Troubled Times: U.S.-Japan Trade Relations in the 1990s.* BY EDWARD J. LINCOLN. Washington: Brookings Institution Press, 1999, 321 pp. $44.95 (paper, $18.95).

This book assesses the extent of American access to Japanese markets, focusing on the market-opening negotiations of the past decade. The approach is judicious but also reflects the frustrations of the author, a sometime negotiator. Lincoln concludes that Japan's market is more open to imports of manufactured goods (and a few services) than it once was, but warns that government-business collusion still inhibits the sale of foreign goods in Japan. The practice of *amakudari*,



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whereby senior government officials retire early and move on to work in major businesses often regulated by state ministries, is singled out. Lincoln sees no alternative to continuing trade negotiations, case by case, item by item, to pry Japan open. He also urges active use of the WTO dispute-settlement mechanism, recognizing the need to threaten fair but retaliatory action for important cases of Japanese recalcitrance. This study would have benefited from more explicit discussion of problems encountered by Japan's other trading partners—such as Europe and South Korea—and the extent of their success in penetrating the Japanese market.

*Foreign Investment in China.* BY FENG LI AND JING LI. New York: St. Martin's, 1999, 265 pp. $69.95.

*Behind the Open Door: Foreign Enterprises in the Chinese Marketplace.* BY DANIEL H. ROSEN. Washington: Institute for International Economics, 1999, 313 pp. $25.00 (paper).

In recent years, China has absorbed more foreign direct investment than any country except the United States. Yet stories of frustrated foreign investors abound, and few have made a serious profit on their Chinese ventures. These two volumes are helpful to anyone interested in investing or in studying investment in China. Feng Li and Jing Li are good on the recent history of current policy and its continuing weaknesses, such as internal transportation and institutional transparency. They also include useful discussions of the Chinese concept of law, considerably different from its Western counterpart, and they underscore the importance of personal relationships in business, or *guanxi.* Rosen's book, based on detailed interviews with nearly a hundred foreign businesspeople in China, complements their work nicely. He finds that the writ of central government is weak in many localities, a fact that seems a blessing at first, as it permits and facilitates practical deals between local officials and firms. Once established, however, the very relationships that made an initial launch possible impede further progress as local objectives conflict with Western corporate aims and management principles. Books become dated in a rapidly changing environment, but both of these works usefully assess the current Chinese scene, expressing cautious optimistism over the prospects for continued economic reform and foreign direct investment in China.

*New Perspectives on Economic Growth and Technological Innovation.* BY F. M. SCHERER. Washington: Brookings Institution Press, 1999, 160 pp. $38.95 (paper, $16.95).

The United States has seen a burst of economic growth over the past two decades, thanks partly to new technologies. But growth elsewhere has varied from spectacular (East Asia before the financial crisis) to miserable (Africa). What explains the differences? Focused on rich countries, this short volume introduces the reader to a digestible and nontechnical treatment of "new growth theory," which emphasizes risky investment in new technologies and skilled and creative human capital. The United States has been preeminent in the former while lagging behind some rich countries in the latter—a shortcoming it could partly compensate for by allowing more immigration of foreign scientists and engineers. Scherer provides empirical



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support for boosting investment in research and development, including basic research, and thus attracting more bright students into science and engineering, where pay is now much lower than in law or medicine. It is also necessary to motivate prospective scientists, especially girls, in primary and secondary schools.

*Heaven's Door: Immigration Policy and the American Economy.* BY GEORGE J. BORJAS. Princeton: Princeton University Press, 1999, 264 pp. $27.95.

A former Cuban refugee, Borjas addresses vexing questions in the U.S. immigration debate, offering an up-to-date and informative assessment of the modern immigrant experience and an excellent review of the recent academic research. Immigration to the United States increased sharply in the 1990s to nearly one million entrants a year, including political refugees and estimated illegal entries. Meanwhile, the educational level of immigrants has dropped sharply from that of 40 years ago. New immigrants also use welfare services much more extensively than their forebears did and work for below-average wages. These changes largely resulted from the 1965 law that shifted U.S. immigration policy from one based on country of origin to one based on (extended) family unification. Assimilation of immigrants' children does occur, but much more slowly than conventional wisdom would have it. Borjas concludes that immigration provides a net economic gain to resident Americans, but warns that this gain is so small that it may be outweighed by its costs—depressed wages of low-skilled Americans. The author suggests that the U.S. economy would be better served by placing greater weight in immigration policy on skills and education, and less on family unification.

*Myths of Rich and Poor: Why We're Better Off Than We Think.* BY W. MICHAEL COX AND RICHARD ALM. New York: Basic Books, 1999, 256 pp. $25.00.

Feeling glum about the American economy? This exercise in triumphalism will cheer you up—not with respect to other countries, but with respect to America's own past. The basic theme, written in lay terms but with economic sophistication, is that the "good old days" are now. The U.S. economy delivers to the typical household an abundance of goods, services, and (yes) leisure never seen before—and with less pollution and greater safety in the workplace. Americans below the poverty line in the mid-1990s had a material standard of living similar to that of middle-class Americans 25 years earlier. True, many layoffs occur, and some jobs are destroyed forever. Despite the resulting hardship and anxiety, however, the destruction of existing jobs is a necessary consequence of technological progress in the presence of economic competition. It is precisely this process that has provided ever-increasing standards of living for the average person. Prosperity in other countries, the authors argue, far from being fearsome, contributes to American prosperity. This fact-filled paean to the productive powers of American capitalism serves up a substantial challenge to economic doomsayers.



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# Military, Scientific, and Technological

ELIOT A. COHEN

*An Intimate History of Killing: Face-to-Face Killing in 20th-Century Warfare.* BY JOANNA BOURKE. New York: Basic Books, 1999, 400 pp. $30.00.

Although its dust jacket is bespeckled with fatuous comments such as "It will leave no reader in doubt that war is indeed about killing," this book is a useful if rambling study of the central act of combat—inflicting violent death. More restricted in scope than the title suggests (covering only the two world wars and Vietnam, and only the Australian, British, and American militaries), it reflects wide reading in the enormous literature on war, from official psychiatric reports to memoirs and letters. But there is something overblown in the book's chief conclusion: that many soldiers enjoy killing. The *Iliad*—or for that matter, the Bible—taught humanity that lesson quite some time ago. There is little new in much of the discussion, such as the connections drawn between war and sexuality. The author also takes some liberties with traditional scholarship, which will make professional military historians uneasy. For example, she uses S. L. A. Marshall's discredited statistic that fewer than one-quarter of all infantry soldiers fire their weapons in combat, even though a side remark indicates that she knows better. Disregarding the hype, this remains a moderately interesting if gory read, particularly useful on the history of military psychology.

*A Better War: The Unexamined Victories and the Final Tragedy of America's Last Years in Vietnam.* BY LEWIS SORLEY. New York: Harcourt Brace, 1999, 528 pp. $28.00.

For many Americans, Vietnam looms in the collective memory rather as World War I does for Europeans—an unrelieved story of stupidity and misery, blood and treasure expended for no good purpose. Sorley, the author of a solid if somewhat hagiographic biography of Vietnam War general Creighton Abrams, believes otherwise. He argues that the replacement of General William Westmoreland by Abrams in 1968 led to the adoption of a more successful strategy in Vietnam, actually leading to real progress in the war. This case may be overstated, but it is forcefully and convincingly argued. As such, it may be more troubling to the American conscience than the easier belief that the war was simply unwinnable from the outset. Whether or not one agrees with the author's conclusions, he has written a provocative and important contribution to the history of the Vietnam War.

*Betrayal: How the Clinton Administration Undermined American Security.* BY BILL GERTZ. New York: Regnery, 1999, 291 pp. $27.95.

A dirty little secret in Washington is that the respectable *Washington Post* often finds itself scooped in national security matters by the conservative and raffish *Washington Times*. That is largely because Gertz, the *Times'* defense and national security correspondent, gets his hands on amazing quantities of highly classified documents, leaked (presumably) by disgruntled defense and intelligence officials. Troubling as this might be, the results can make for



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interesting reading. This book is a collection of vignettes that delivers a crude and uncompromising message: the Clinton administration has been craven and opportunistic in dealing with a variety of nasty foreigners—from Russians attempting to blind American military personnel with lasers to Chinese companies aiding the Pakistani nuclear program. True, disingenuous and discreditable behavior is not unknown in other administrations, but this admittedly partisan account is disturbing. The publicity surrounding the book involves some 60 pages of classified documents, most of which are, in fact, a bit less startling than one might expect. A book sure to reinforce the darkest views of confirmed Clinton-haters—and make even stalwart defenders of the administration uneasy.

*When Things Start to Think.* BY NEIL A. GERSHENFELD. New York: Henry Holt, 1999, 224 pp. $25.00.

It is not clear that the information revolution, despite its many marvels, has necessarily improved the quality of analytic prose. The author, a leading scientist at the MIT Media Laboratory, has a wonderful topic: the spread of computing power to the most mundane items of daily life, from coffeemakers to shoes to eyeglasses. Alas, the literary device of the digiterati is the hyperlink, and the preferred form of discourse is the first person singular, interspersed with clubby references to various authorities by their first names. The result is a random collection of rumination, technical exposition, and silly reflection on politics (including head-wagging about Vice President Al Gore's reported description of the U.S. Constitution as a piece of software designed for massively parallel processing). This is a real pity, because the author does have something to say about gadgets like intelligent telephones and phenomena like electronic commerce—although one doubts that he is on equally firm ground when he contemplates the human condition writ large.

*The Scout Report.* http://scout.cs.wisc.edu/report/sr/current/index.html.

The information glut on the Internet can reduce even the relatively sophisticated Web user to despair. This site, fortunately, is perhaps the most useful source of Web site information for students of international politics and technology, although it is not quite as strong in the military realm. A project of the Computer Sciences Department at the University of Wisconsin at Madison, it is a weekly review of Web sites, emphasizing those of interest to the serious Web researcher. An easily searchable archive going back to the spring of 1994 gives the site its extraordinary value. Go here to find references to material on many subjects, from French space policy to the latest news from East Timor. No excuse now for relying on Yahoo and luck.

*The Code Book: The Evolution of Secrecy from Mary, Queen of Scots to Quantum Cryptography.* BY SIMON SINGH. New York: Doubleday, 1999, 288 pp. $24.95.

The field of cryptography and related disciplines has moved very quickly in recent years as the explosion of computing power and the growth of electronic commerce have made terms like "public key encryption" and "pretty good privacy" familiar to more than the cognoscenti. Singh has done an excellent (and blessedly concise) job of retelling the history of code writing to the present day. A skilled journalist and television producer, he should be particularly



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commended for the book's graphics, which help explain ideas otherwise too abstruse for the lay reader. A well-chosen bibliography (including Web sites) rounds out an excellent introduction to the subject.

*Jane's Sentinel Security Assessment: The Balkans.* JANE'S INFORMATION GROUP. Surrey: Jane's Information Group, 1999, 575 pp. £480.

This volume by Jane's Information Group, a private-sector intelligence organization, belongs to a series of regional surveys containing vast quantities of data on everything from arms industries to geography. Probably the most useful data—and the most difficult to obtain elsewhere—is the interesting, up-to-date, and perishable information about military developments and personalities in the countries covered. Otherwise, much of the content can be found in cheaper volumes like the International Institute for Strategic Studies' annual *Military Balance* and the free CIA *World Factbook*, which is available on the Web. It would be a useful source for analysts were it not for the ludicrous price—all the more absurd for a softbound book that begins to disintegrate when first opened.

## The United States

PHILIP ZELIKOW

*Freedom from Fear: The American People in Depression and War, 1929–1945.* BY DAVID M. KENNEDY. New York: Oxford University Press, 1999, 936 pp. $39.95.

Kennedy's challenge was to construct a book that had breadth and depth, fully comprehended political, military, economic, and social developments, and integrated a wealth of specialized scholarship. He also sought to fit all these pieces into a driving narrative that would pull a reader along. In *Freedom from Fear,* he has pulled off this remarkable feat. Hoover, the Depression, Roosevelt, the New Deal, and the transformation of American industry and society all seem fresh and fascinating again. Kennedy occasionally seems off-target in appraising American grand strategy in World War II; having not attempted an international history, he may have understated the American case in the arguments about the Second Front and the relative contributions to victory. These and other issues anyone can quibble with, but many readers should enjoy the nonpartisan, informed, and thoughtful judgments of a historian working at the height of his craft, conveying the great challenges and choices of "the greatest generation" to the present one.

*Vietnam, the Necessary War: A Reinterpretation of America's Most Disastrous Military Conflict.* BY MICHAEL LIND. New York: Free Press, 1999, 320 pp. $25.00.

A wave of new books on the Vietnam War, based on fresh archival evidence, is beginning to break. Among these is Lind's book, which says the liberal Cold Warriors like Lyndon Johnson, McGeorge Bundy, and Dean Rusk were right about Vietnam: the North Vietnamese *did* rule by terror, and they allied themselves with their Chinese and Soviet allies for a purposeful global strategy. American credibility *was* at stake. The setbacks of 1965–68 were largely the fault of the military strategists, but Nixon made matters worse by prolonging this failure. While Lind throws a salutary bucket of cold water on



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conventional wisdom on Vietnam, his answers are more stimulating than convincing. His treatment of credibility mixes three very different situations—before American troops were massively committed, after they were in, and after America decided to withdraw them. He scarcely bothers to analyze the Nixon period of the war at all, and relaxes too easily into anticommunist vituperation, calling his opponents "apologists" for communists. This may be chicken soup for the conservative soul, but it will mitigate the influence of some otherwise good thinking. Better to take up Lind's bracing challenges and then go find answers in books like Fred Logevall's *Choosing War,* below.

*Choosing War: The Lost Chance for Peace and the Escalation of War in Vietnam.* BY FREDRIK LOGEVALL. Berkeley: University of California Press, 1999, 529 pp. $35.00.

The finest history to date of America's decisions to escalate war in Vietnam. Looking back at the decisions up to 1965 that ultimately committed hundreds of thousands of American troops to defend South Vietnam, Logevall argues that most of the Cold War establishment was against escalation, as were practically all of America's allies. Although the dissents of George Ball and William Fulbright are better known, the opposition of Johnson's own mentor, the conservative Senator Richard Russell, is more interesting. The puzzle deepens as Logevall shows how well the top leadership understood their problem. Using extraordinary research in American, British, French, and Canadian archives and sensitively reconstructing the mindset of the times, Logevall tries to find just when opportunities to avoid escalation were genuinely present. His search narrows down to the few months after President Johnson's election in November 1964. Rusk's diplomacy was conscientious but unimaginative, while Logevall regretfully concludes that Johnson, Bundy, and Robert McNamara blurred concern for their own personal credibility with their concern for the credibility of their country. More than just a Vietnam book, *Choosing War* offers a rare and beautifully crafted example of how to study a turning point in history.

*Argument Without End: In Search of Answers to the Vietnam Tragedy.* BY ROBERT S. MCNAMARA, JAMES G. BLIGHT, AND ROBERT K. BRIGHAM, WITH THOMAS J. BIERSTEKER AND HERBERT Y. SCHANDLER. New York: PublicAffairs, 1999, 479 pp. $27.50.

This book grew out of an oral history project to get American and North Vietnamese scholars and former officials together to learn lessons from the war. South Vietnamese voices were apparently unwelcome. The Americans offered mea culpas and a few pointed questions. The North Vietnamese participants offered polemics, some courteous interest, and several undocumented opinions. The book, however, is much worse. As in the old days back in the Cabinet Room, McNamara's insistent voice sets the tone, now convinced that the war was produced by ignorance and mutual misunderstanding. This is McNamara's redemptive mission, and it hijacks the book. His evidence does not sustain his many conclusions. In fact, some of the exchanges are grimly amusing precisely because McNamara still seems to have no head for diplomacy



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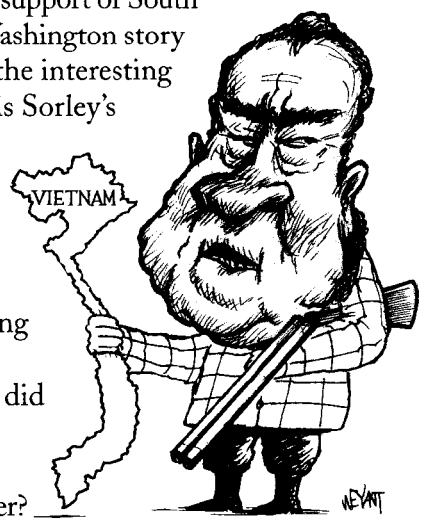
or politics (especially the other side's political world). Herbert Schandler adds a chapter on the war's military unwinnability that would have been more convincing if he had bothered to discuss the contrary evidence of 1968–72. The awful irony of this book is that, in a mission to overcome misunderstandings, it introduces a whole raft of new ones.

*Nixon's Vietnam War.* BY JEFFREY P. KIMBALL. Lawrence: University Press of Kansas, 1998, 528 pp. $39.95.

The most detailed assemblage of evidence about the Nixon-Kissinger Vietnam policies to date. More of a chronicle than a narrative, the book is hard to follow. But the level of scholarship is high. Kimball argues that Nixon relied on a "madman" theory to coerce Hanoi while still withdrawing U.S. troops—a theory of the intimidating power of "brutal unpredictability" (Kissinger's term). Seeing Nixon as the strategist and Kissinger as the tactician, Kimball finds their machinations self-defeating and believes that their "brutal unpredictability" and deceptive ways undercut the domestic political base for support of South Vietnam. But he tells a Washington story with little integration of the interesting Saigon side, told by Lewis Sorley's *A Better War* (see Eliot Cohen's review in this issue). Nixon and his field commander, Creighton Abrams, had different visions of winning the war; Abrams had no "madman" theory, but he did have a strategy that was working reasonably well. How did all this fit together? Kimball does not explain. A better analysis is still needed of the crucial decisions in this period about negotiation and escalation.




*Architects of Intervention: The United States, the Third World, and the Cold War, 1946–1962.* BY ZACHARY KARABELL. Baton Rouge: Louisiana State University Press, 1999, 248 pp. $37.50 (paper, $16.95).

Most accounts of the early Cold War treat the superpowers as the subjects and Third World countries as the objects. Like some other recent scholars, Karabell wants to reverse the balance. As students of the British Empire have noticed, kings are often drawn, to their surprise, into games played among the pawns. Relying on American archives and a wide range of secondary works, Karabell writes well and does a service by combining case studies on American intervention in Greece, Italy, Iran, Guatemala, Lebanon, Cuba, and Laos. He is strongest on Iran and Lebanon, weakest on Cuba and Laos, and includes no studies of intervention by the Soviets, Chinese, British, or French. Karabell argues, easily enough, that internal conditions are decisive—since intervention needs strong local allies to achieve any enduring success. He also cautions that interventions do not have a lasting effect in changing the political or social order of the affected countries. But one reason why pawns play this game is because they perceive some very large effects, at least if measured by the span of human lives.



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# Western Hemisphere

KENNETH MAXWELL

*Coal to Cream: A Black Man's Journey Beyond Color to an Affirmation of Race.* BY EUGENE ROBINSON. New York: Free Press, 1999, 288 pp. $24.00.

A reporter for *The Washington Post* (and now its assistant managing editor), Robinson was assigned as a foreign correspondent covering South America. Although based in Buenos Aires, he soon found himself on Ipanema beach in Rio de Janeiro, escaping from the "confines of his own skin" into "the wonderful Brazilian racial landscape." But his early infatuation with Brazil's "benign racial anarchy" was gradually undermined. As he traveled more widely, he found himself shown to the service entrance when visiting fellow journalists and was struck by the stark contrast between the different carnivals for the (mostly white) rich and the (mostly black) poor. Despite its personal honesty, however, this self-indulgent and superficial book offers little insight into the Brazilian racial dilemma—or even any indication that Robinson spent much time with activists or explored the recent literature on race and class in Brazil. It is also a very American story, with Robinson assuming that he had a special window into his subjects' minds. Brazil, he claims, made him appreciate having a strong racial identity—something he believes Brazilian blacks lack to their detriment. Brazilians will be more saddened than angered by Robinson's tale, which says little new about race relations in Brazil but a great deal about Robinson's personal hang-ups: "new journalism" with a vengeance.

*The United States and Latin America: The New Agenda.* EDITED BY VICTOR BULMER-THOMAS AND JAMES DUNKERLEY. Cambridge: Harvard University Press, 1999, 420 pp. $39.95 (paper, $24.95).

An interesting and provocative discussion of U.S.–Latin American relations from a largely European perspective. Growing out of a study group at London's Institute for Latin American Studies and a Harvard conference, this fine collection of essays brings together senior American scholars, such as John Coatsworth and Jorge Domínguez, with British and Latin American experts. The book's strength lies in its strong contextual approach, underscoring the historical continuities in U.S. behavior toward Latin America. Dunkerley, for example, surveys U.S. policy from 1800 until 1945, while Domínguez presents a sharp analysis of the Cold War's impact on U.S. attitudes toward the region, especially Cuba. Excellent overviews of regional trade and investment provide some needed forward thinking on the implications of NAFTA for the harmonization of financial services, regulation, and tax policy. The volume's weaknesses include an absence of any discussion of Brazil, an almost obsessive concentration on Cuba (ironic, in light of the authors' criticism of Washington's anticommunist phobia), and very little on the recent financial crises that elicited the massive U.S.-led bailouts for both Mexico and Brazil.



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*Rethinking Party Systems in the Third Wave of Democratization: The Case of Brazil.* BY SCOTT P. MAINWARING. Stanford: Stanford University Press, 1999, 424 pp. $60.00 (paper, $22.95).

Mainwaring has useful, if depressing, things to say about Brazilian politics—even though his long-winded political science jargon weighs the book down. He dissects the Brazilian party system in great detail, arguing that its institutions are weak and its party system fragmented. The relationships between social movements, unions, and business interests are patchwork, with political support going to individual politicians rather than to party organizations. The result is high electoral volatility, weak party roots, low levels of party identification, and sharp discontinuities in patterns of party support. Politicians, not surprisingly, act with great autonomy once elected. Such a system is also open to massive corruption. As one regional governor told Mainwaring, "the biggest party in Brazil is the Brazilian Clientelistic Party." Unfortunately, the struggle of the current Brazilian government to push a reform program through Congress only reinforces this observation. It is a pity this book was published too late to go on the IMF's reading list before it committed $41.5 billion to Brazil last October—collateralized by promises of Brazilian politicians.

*On Becoming Cuban: Identity, Nationality, and Culture.* BY LOUIS A. PÉREZ. Chapel Hill: University of North Carolina Press, 1999, 569 pp. $39.95.

*The Pride of Havana: A History of Cuban Baseball.* BY ROBERTO GONZÁLEZ ECHEVARRÍA. New York: Oxford University Press, 1999, 464 pp. $35.00.

Whatever Fidel Castro has done for Cuba, his revolution has unintentionally given the United States an extraordinary generation of Cuban American scholars. Two of the most gifted have just produced masterworks that lift the image of Cuba and the Cuban American diaspora out of the sterile politics of confrontation into the meaningful dimension of cultural interaction. In a sweeping multilayered history, Pérez explores the intertwined lives of Cubans and Americans from the late nineteenth century to the 1950s to show how deeply each nation influenced the other. Using an array of sources, from music to oral history to popular magazines and movies, he provides a convincing and kaleidoscopic interpretation filled with colorful personalities. He concludes with a brilliant discussion of the cultural context for Castro's uprising, when Cuba's essentially anti-Spanish nationalism became anti-Americanism. The North Americans, he charges, operated on a presumption of familiarity that bred its own form of contempt: Cuba, an exotic tropical escape, was not to be taken seriously. By the late 1950s, this arrogance had generated profound consequences for the future.

Meanwhile, González Echevarría examines the history of Cuban baseball and reinforces Pérez's conclusion. As with Pérez, this is cultural history at its best. González Echevarría finds most Americans incredulous to learn that baseball is Cuba's national sport—as if such an idea were bizarre. As both books demonstrate, Cuban identity has always been closely linked to the United States. A refugee (and baseball player) turned Yale professor, González Echevarría is well placed to tell a chronicle of exile that recovers lost feelings and memories. He paints an extraordinary view of Cuba from the baseball diamond, a tale of



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Cubans' passionate love for the most American of pastimes and of Cuba's fierce independence from U.S. influences. Among the best books on Cuban-American relations of the past 30 years, these two works offer hope for the future.

*Negotiating National Identity: Immigrants, Minorities, and the Struggle for Ethnicity in Brazil.* BY JEFFREY LESSER. Durham: Duke University Press, 1999, 281 pp. $49.95 (paper, $17.95).

Brazil is often portrayed as a nation where racial boundaries blur. Lesser has now produced a pioneering and fascinating study that explores the influence of ethnic minorities in Brazil: immigrants from China, Japan, North Africa, and the Middle East. He first examines the policies that brought these migrants to South America and recounts how they responded to their new environment. Some, like the Japanese with their secret societies, became ultranationalist; others, like the Syrians, developed new identities to distinguish themselves. He also follows the debates over definitions of "whiteness," religion, and ancestry—for example, whether Asian immigrants were related to Brazil's indigenous populations and were therefore more "Brazilian" than other immigrants. But in the end, Lesser demonstrates that the immigration policies pursued after the abolition of slavery in 1888—which were intended to make Brazil "whiter"—in fact produced an immensely multicultural society. A first-rate addition to the literature that is essential for comprehending Brazil's infinite complexity.

*Racial Politics in Contemporary Brazil.* EDITED BY MICHAEL HANCHARD. Durham: Duke University Press, 1999, 224 pp. $49.95 (paper, $17.95).

A fine array of essays on Afro-Brazilian politics and social movements. All the authors, who include scholars as well as activists, agree that Brazil's racial inequality and its consequences cannot be reduced by monocausal explanations, and they are cautious about applying U.S. perspectives to Brazil's own racial dynamics. Yet they also recognize that the United States' growing Latino population means that large segments of the U.S. population no longer fit easily into white and black categories. By the same token, racial realities in Brazil can now be placed in a more comparative and global framework that can heighten racial consciousness. Historian Richard Graham sheds light on current debates by pointing to Brazil's historical experience, showing that most Afro-Brazilians were free before abolition but remained excluded from political power—a heritage that continued long after slavery had ended. Hanchard looks at the similarities between Brazil and other multiracial societies in Latin America, while other authors examine residential segregation, income inequality between black and white women, the role of civil rights and police violence against Afro-Brazilians, and the recurrent tensions among Afro-Brazilians over identity and political strategy. A nuanced introduction to the tensions, struggles, and promises of Afro-Brazilian life in contemporary Brazil.

*The Mystery of Samba: Popular Music and National Identity in Brazil.* BY HERMANO VIANNA, TRANSLATED AND EDITED BY JOHN CHARLES CHASTEEN. Chapel Hill: University of North Carolina Press, 1999, 168 pp. $34.95 (paper, $15.95).

Vianna, a Brazilian anthropologist and



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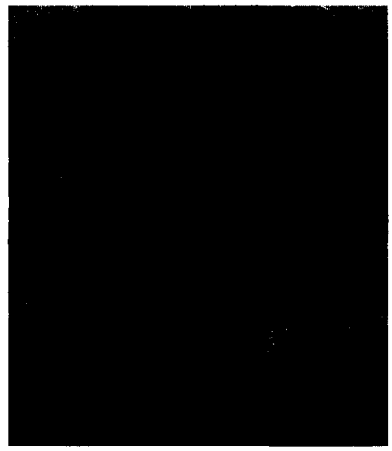
writer, looks at the "invention" of samba as Brazil's national rhythm. Romantics saw it as an art form that changed spontaneously from a repressed music of the marginal and impoverished to a national symbol after the abolition of slavery. For Vianna, however, the story is more complicated. Samba's rise to national status after the 1930s grew out of a long and complex negotiation between rich and poor, weak and powerful. When bossa nova emerged in the late 1950s, it was attacked as violating "true Brazilianness"—which was seen to lie in *samba de morro*, or samba of the slums. Similar reactions erupted later against the influence of rock and electric guitars. But in truth, these old debates about "authenticity" and "innovation" are not confined to popular music in Brazil alone. Instead, they form an integral part of a heritage that marks all parts of the Americas, where Africans came as slaves and emerged from three centuries of slavery to remake (and in many cases take over) the definition of national musical expression. Samba has, after all, become one of Brazil's great gifts to the world.

# Eastern Europe and Former Soviet Republics

ROBERT LEGVOLD

*The Black Book of Communism: Crimes, Terror, Repression.* EDITED BY STÉPHANE COURTOIS, NICOLAS WERTH, ET AL. Cambridge: Harvard University Press, 1999, 1,120 pp. $37.50.

To see the grisly total is staggering. In its many enthroned variations, from Lenin's 1917 revolution to the recent Marxist-Leninist regimes of Africa, communism has killed upwards of 100 million people—65 million in China alone. Courtois and his colleagues do not simply unfold the numbers relentlessly and numbingly. Instead, they painstakingly explore the many ways the killing was done—from summary execution to forced deportations, from mass starvation to the gulag—and examine its many pretexts. Arguing with the passion of former believers, they charge



that communism was a criminal system. They all make the case well, although some (such as Soviet expert Nicolas Werth) write with more nuance than others. Despite Courtois' brave attempt in the conclusion, however, the authors fail to answer their own central question: Why did communism, when in power, start and stay so murderous?

*Arthur Koestler: The Homeless Mind.* BY DAVID CESARANI. New York: Free Press, 1999, 656 pp. $30.00.

Koestler was a man of enormous talent, particularly as a journalist, but also of



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vast psychological complexity. He could see into things with a clarity that stirred not just the mind but the deepest emotions. Yet he was emotionally twisted and even toxic in close relationships. The man who takes shape in Cesarani's biography is a remarkably engrossing figure, living the first half of his life on the edge and the last half beyond the pale—or so he was seen after he made his commitment to parapsychology and parascience later in life. He got to *Darkness at Noon,* his terrifying 1940 portrait of Stalinism, not through study but through quest. This emotional and intellectual journey led first to a radical anti-Marxist Zionism, then to membership in the German Communist Party and pilgrimage to the Soviet Union, later to near execution in the Spanish Civil War, and finally to defection from communism. All this was but a prelude to still more harrowing adventures. Readers, mouths agape, may at times see a kind of politicized Indiana Jones, but Cesarani continually yanks them back to the intellectual and human stakes involved.

*Uneasy Alliance: Relations Between Russia and Kazakhstan in the Post-Soviet Era, 1992–1997.* BY MIKHAIL ALEXANDROV. Westport: Greenwood Press, 1999, 327 pp. $65.00.

We could use more books like this. It explores in great depth Russia's relations with one of the most important post-Soviet successor states, tracing in detail and over time each dimension of the relationship: the problem of ethnic Russians in Kazakhstan, the two countries' approach to integration within the Commonwealth of Independent States (CIS), military and security ties, and the role of oil and gas in Russia's calculations. These systematic and parallel treatments follow a careful history of Russia's relations with Kazakhstan in the immediate pre-independence period and a general overview of Russian policy toward it since. Alexandrov does all this with great attention to specific events, reconstructed from a wealth of primary materials.

*Money Unmade: Barter and the Fate of Russian Capitalism.* BY DAVID WOODRUFF. Ithaca: Cornell University Press, 1999, 228 pp. $29.95.

Woodruff takes aim at the notion that the barter swamping normal money relations within Russia is simply monetary policy gone awry. Before one can rightly focus on the battle over monetary policy and who profits from it, first comes the need for "monetary consolidation"—the process by which the state establishes sovereign control over money and its functions. Russia finds itself in its current pickle not because it is populated with myopic reformers, hidebound local politicians, and crooked businesspeople, but because so little has been done to create the essential relationship between money and the state. In a creative use of political sociology, Woodruff provides a highly original explanation for the rise of barter in Russia's new capitalism—and an intriguing description of the current political battle lines surrounding it. But his analytical framework offers little basis for determining which approach in this battle is likely to prevail.

*Thank You, Comrade Stalin! Soviet Public Culture From Revolution to Cold War.* BY JEFFREY BROOKS. Princeton: Princeton University Press, 1999, 304 pp. $35.00.

Long before the words "politically correct"



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entered our vocabulary, Lenin and his associates set about installing an altogether steelier and more suffocating notion: "political literacy." By every means, down to censoring the content on matchbook covers, the Bolsheviks declared the minds of the people their possession to mold as they chose. With unmatched thoroughness and persistence, they brought to heel the press, theater, art, film, and every other form of public culture. Brooks meticulously surveys the process by which this was done and the product it yielded. Much of the book focuses on the images and ideas in the press from 1917 to 1953, accompanied by a splendid selection of facsimile front pages. Brooks' very careful history, however, neither provides nor allows an explanation for why so much intellectual and artistic creativity was nevertheless produced in these utterly stifling circumstances.

# Middle East

L. CARL BROWN

*Syria's Peasantry, the Descendants of Its Lesser Rural Notables, and Their Politics.* BY HANNA BATATU. Princeton: Princeton University Press, 1999, 413 pp. $49.50.

Vintage Batatu, with awesomely thorough research and a misleadingly modest title. This solid sociopolitical study of modern Syria will take its place among the classics of rural history. Unlike the Marxist image of peasants as so many potatoes in a sack, Batatu presents Syria's rural population in their rich variety, underscoring variables such as proximity to cities, clan and land status, and religion. He demonstrates their increased politicization over the past half-century and details the rural base of Syria's Baath Party. He then offers an impressive interpretation of Hafiz al-Asad's rise to power and his modus operandi for remaining there, concluding with a final chapter on Asad's relations with the Palestine Liberation Organization. More details than perhaps even specialists might require, but by relying on the fine table of contents (evoking in its expansiveness an eighteenth-century English novel) the reader can skip or skim. Best not to skip too much, however—Batatu's detailed text is laced with penetrating insights and comparisons.

*Constructive Ambiguity in Middle East Peace-Making.* BY AHARON KLIEMAN. Tel Aviv: Tami Steinmetz Center for Peace Research, Tel Aviv University, 1999, 156 pp. $15.00 (paper).

Efforts to achieve an Arab-Israeli peace have a long history and are still with us. A special shorthand has emerged illustrating the chronological milestones, from half-century-old agreements such as the Rhodes armistices to the more recent Oslo and Wye accords. The underlying pattern entails slight progress, then stalemate, and then yet another mediated agreement that is imprecise by design but sufficient to get the "peace process" back on track. Klieman asks whether these many ambiguous agreements simply postpone the hard issues. He compares this to the more traditional (and perhaps idealized) concept of diplomacy, in which precision, not ambiguity, was valued—and agreements offered more than guidelines. Much of what he dubs Middle East "word politics" goes back to the "step-by-step" approach ushered in by Henry Kissinger following the October 1973 Arab-Israeli war.



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Klieman's argument has the advantage of highlighting the distinctive negotiating pattern of this Arab-Israeli "peace process." But since he does not demonstrate that the parties might have been prepared to sign more precise agreements earlier, one might conclude that "step-by-step" is the best (or the only) approach available.

*Heroic Diplomacy: Sadat, Kissinger, Carter, Begin, and the Quest for Arab-Israeli Peace.* BY KENNETH W. STEIN. New York: Routledge, 1999, 352 pp. $75.00 (paper, $24.99).

Weaving together an impressive number of interviews with policymakers at the time (Americans, Egyptians, Israelis, Jordanians, and Syrians) with relevant memoirs, monographs, articles, and official documents, Stein has produced a fine study of that period of intense negotiations from the October 1973 Arab-Israeli war to the 1979 Egyptian-Israeli peace treaty. A chapter reviewing the years from 1947 to 1973 and a final chapter, "From Jerusalem to Oslo and Beyond, 1979–1998," set the 1973–79 period in its larger historical context. He also appraises the personality and diplomatic style of the principal participants, warts and all. Stein's impressive reconstruction of what the many different policymakers thought at the time and how they acted is all the more persuasive (and useful) because he scrupulously cites his sources, rejecting narrator omniscience.

*Moving Beyond Conflict Prevention to Reconciliation: Tackling Greek-Turkish Hostility.* BY M. JAMES WILKINSON. Washington: Carnegie Commission on Preventing Deadly Conflict, 1999, 48 pp. Free of charge.

The world has become accustomed to Greek-Turkish tensions, marked by periodic confrontations but stopping short of conflict with the help of outside intervention. The issues of Cyprus, divided since 1974, and control of the sea and air lanes in the Aegean have generated most of the notable incidents. Is Greek-Turkish reconciliation possible, or should we expect more of the same? Wilkinson, who served as U.S. special coordinator for Cyprus in the 1980s, leans toward the latter but does not counsel complacency. Although outsiders cannot impose a solution, the United States, the EU, and NATO can provide a series of modest steps that may jolt the parties "off the pedestals on which they have stood for so long with such absolute morality." The United States, Wilkinson adds in a subtle slap, can at least make all parties realize what they must do to enjoy American support—provided they are convinced that Washington means what it says. An able, succinct survey of the historical background and the issues involved, ending with realistically limited policy recommendations.

*The Multiple Identities of the Middle East.* BY BERNARD LEWIS. New York: Schocken, 1999, 176 pp. $21.00.

Those who know Lewis' earlier works will find familiar themes here deftly organized around the many identities that Middle Easterners have of themselves and others, including religion, race, language, country, nation, state, and aliens and infidels. To Lewis, religion is the principal locus of identification, in both the past and the present; race is less important than in the West. Identification with territory (patriotism) is not so much a factor as identification with the group



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(nationalism), because until modern times, most Middle Easterners have been loosely linked to empires, not states. Relying often on vocabulary used over the centuries to make his points, Lewis offers a philological feast that, in Francis Bacon's terms, is best not just tasted but "chewed and digested." *Multiple Identities* is consistent with his earlier works, and those who have criticized his vision of the Middle East will likely raise the usual objections: he overstates the impact of religion on politics, underrates the factors making for unity by concentrating on variety, exaggerates Middle Eastern continuities while minimizing change, and slights political economy. His argument, however, is much more nuanced than these objections suggest. With so much information so engagingly presented, one should gratefully chew and digest.

## Asia and the Pacific

LUCIAN W. PYE

*A Great Wall: Six Presidents and China: An Investigative History.* BY PATRICK TYLER. New York: PublicAffairs, 1999, 512 pp. $27.50.

Combining the skills of an investigative reporter with a novelist's mastery of drama, Tyler has produced a suspense-filled account of the struggles of six presidential administrations in shaping a sustainable China policy. In vivid detail, filled with direct quotes and even descriptions of the participants' body language, he recounts the clashes of passions and personalities among the strong-willed people in the White House and the Washington bureaucracy, especially between national security advisers and secretaries of state (most famously, Zbigniew Brzezinski and Cyrus Vance). The stakes were exceedingly high—so high, according to Tyler's information, that the United States and China came close to war on several occasions. Indeed, he believes that the danger of war still exists because of the insoluble problem of Taiwan. He points out that for five of the presidents, China policy was a function of containing the Soviet threat, thereby allowing concerns about the future of Taiwan to be set aside. But history moved on: Taiwan became democratic and developed a will of its own while the Soviet Union collapsed, leaving the U.S.-China relationship adrift. Tyler's gripping—and alarmist—story is recommended reading for both the novice and the specialist on Sino-American relations.

*Rural China Takes Off: Institutional Foundations of Economic Reform.* BY JEAN C. OI. Berkeley: University of California Press, 1999, 259 pp. $35.00 (paper $17.95).

*Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of the Market.* BY DOROTHY J. SOLINGER. Berkeley: University of California Press, 1999, 399 pp. $50.00 (paper $19.95).

These two empirically rich and theoretically provocative studies address the political economy and socio-legal standing of China's huge peasant population, offering surprising sources for much of China's economic dynamism. Oi recounts how peasants became workers in rural industries and their local officials became successful entrepreneurs, organizing "village and township enterprises" (VTEs). Other



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scholars have told of the economic successes of the VTEs, but Oi's work stands out for its lucid analysis of the theoretical issues of incentives, property rights, and the differences between public and private ownership and management. Under the reforms, local governments and enterprising Communist Party cadres organized industries and managed them as de facto private enterprises. Oi advances the concept of "local-state corporatism" to explain the flourishing of VTEs. By illuminating the logic of these successes, however, she also overlooks the problems of cronyism, corruption, and informal tax collecting that have recently caused considerable rural discontent.

America's leading authority on Chinese internal migration, Solinger reports on the 70 to 100 million peasants who have played critical roles in economic reform as they moved from the countryside to the cities. In all developing countries, the transition from agriculture to industry has produced such movements. But the problem in China has been especially troublesome ever since Mao created a great divide between country and city through a strictly disciplined household registration system (*hukou*). Based on *hukou*, city dwellers could claim generous benefits—and were quick to see the migrants as a dangerous "floating population" that should be denied citizenship rights. The spread of the free market has not produced a spirit of common citizenship and participation; instead, it has created an atmosphere where urban Chinese anxiously protect their advantages by clinging to features of the old system. These problems are likely to become even more worrisome as the inefficient state-owned enterprises shed millions of jobs held by the once-advantaged urbanites.

*America's Boy: The Rise and Fall of Marcos and Other Misadventures of U.S. Colonialism in the Philippines.* BY JAMES HAMILTON-PATERSON. New York: Henry Holt, 1999, 496 pp. $30.00 (paper).

An English expatriate who has lived for 20 years in the Philippines, Hamilton-Paterson has a unique perspective for explaining Filipino politics. In the spirit of a novelist, he conjures a make-believe composite Philippine village to make vivid the despair of common Filipinos during Ferdinand Marcos' rule. This world is harshly ruled by self-centered politicians, who in turn are controlled by an indigenous oligarchy and an arrogant America. With a delight in contrariness, Hamilton-Paterson insists that the received wisdom has exaggerated Marcos' flaws, most of which were standard Filipino political practices. But he also adds that an America blinded by anticommunism only encouraged this behavior. Whereas other observers glorified Corazon Aquino and her democratic "People's Power" movement, he saw her as continuing the same style of autocratic government. His approach for understanding Filipino politics perfectly captures the blend of the heroic posturing, gossip, scandal, mythmaking, and general deviousness so central to that political culture. The book's weakness, however, is that it does not sort out from the fantasies of the politicians and the public what really happened. What comes through instead are the lively prejudices of an extraordinarily imaginative mind.



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*The End of North Korea.* BY NICHOLAS EBERSTADT. Washington: American Enterprise Institute Press, 1999, 175 pp. $29.95 (paper $14.95).

Eberstadt brilliantly challenges the conventional wisdom that North Korea is ruled by madmen, arguing that Pyongyang's rulers are in fact rationally adhering to the regime logic of a Leninist state. Famines, for example, have been common in all such states; in North Korea, they just occurred after most citizens had adjusted to urban life. The leadership once skillfully played off China and the Soviet Union for material support but made the mistake in 1980 of turning fully to Moscow. It now knows that any serious opening to the world would destroy socialism, just as has occurred in Russia and China. Hence, the regime now threatens mass destruction to extort aid from South Korea, Japan, and the United States. Such aid does not contradict the regime's ideology of self-reliance because it has always depended on outside help, first from communist and now from capitalist states. Eberstadt convincingly argues that the inherent flaws in communism will inevitably doom North Korea—and it is time to start preparing for the eventual reunification with the south. He insists that this will not be as costly for South Korea as is generally assumed, because the burden of social services is not comparable to the German case. Eberstadt demonstrates that for all of North Korea's secrecy, it is possible to analyze its problems in the context of Marxism-Leninism's tragic flaws.

*The Politics of Post-Suharto Indonesia.* EDITED BY JONATHAN PARIS AND ADAM SCHWARZ. New York: Council on Foreign Relations Press, 1999, 150 pp. $17.95 (paper).

*Post-Soeharto Indonesia: Renewal or Chaos?* EDITED BY GEOFF FORRESTER. New York: St. Martin's, 1999, 260 pp. $59.95.

*Indonesia: The Challenge of Change.* EDITED BY RICHARD W. BAKER, J. KRISTIADI, DOUGLAS E. RAMAGE, AND M. HADI SOESASTRO. New York: St. Martin's, 1999, 327 pp. $55.00.

These three symposium volumes were initially intended to explain Indonesia's "miracle" economy, but by the time the authors met, their challenge had become to forecast *post*-Suharto Indonesia's future. The enduring value of their endeavors is not so much the test of prediction but the new information that the regime's breakdown has exposed. The Paris-Schwarz report vividly captures the dynamics of the crisis, especially in William Liddle's chapter on Suharto's failure in leadership and John Bresnan's insightful analysis of the IMF and U.S. policy prescriptions during the turmoil. The book by Baker et al. examines how twelve different institutions—from the bureaucracy to the army to the Muslim political parties—face the challenge of change, offering solid academic studies that contain a mass of information and insights. Finally, the Foster collection is, more than the others, explicitly directed to foreseeing the future—with reasonable success in predicting the elections, but not the shocking horror of East Timor. All of the studies show that although it is possible to analyze the strengths and weaknesses of the various actors and institutions, it is extremely difficult to foresee the final equilibrium of all these forces—since Indonesia's possibilities range from reinvigorated stability to chaos and national disintegration.



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# Africa

GAIL M. GERHART

*Africa Works: Disorder as Political Instrument.* BY PATRICK CHABAL AND JEAN-PASCAL DALOZ. Bloomington: Indiana University Press, 1999, 192 pp. $39.95 (paper, $18.95).

One of the most stimulating recent analyses of African realpolitik, this book joins the growing literature that challenges the premises underlying Western development assistance. Why have most African countries failed to develop, despite more than a decade of economic and political reforms tied to new aid infusions? Because, say Chabal and Daloz, the continent's informal but durable and culturally rooted "neopatrimonial" political systems do not depend on development in the Western sense—and may even be threatened by it. As African leaders adapt to restrictions imposed by structural adjustment and declining law and order, they find ways to translate social disorder into patronage resources that shore up the loyalty of their client networks. "Modernization" is occurring, but not of the kind prescribed or anticipated by the West. It is an illusion, the authors contend, to believe that "civil society," opposition parties, or exhortations about better governance can undermine the viability of neopatrimonialism. As a system of maintaining power, however antithetical to the public interest, neopatrimonialism works. The book's brevity is a virtue, but more empirical examples would have added weight to its well-focused argument.

*Moi: The Making of an African Statesman.* BY ANDREW MORTON. North Pomfret: Trafalgar Square, 1998, 224 pp. $29.95.

Morton, whose earlier output includes *Monica's Story* and several potboilers on the British royals, pioneers new territory with this public-relations biography of Kenya's president. He tries valiantly to accentuate the positive in Daniel arap Moi's lackluster record, but winds up portraying a leader whose mediocrity is excusable because the blame for his poor performance supposedly lies with others. As Morton would have it, Moi's incompetent and corrupt appointees constantly sabotage his well-intentioned plans. His security services "lack a tradition of public service," a holdover from colonialism. Intellectuals, students, and vengeful pro-democracy dissidents try to undermine his philosophy of peace, love, and unity. He believes in following "proper democratic procedure," but the irritating opinions of judges make this impossible. The self-serving proponents of a New World Order dictate that Africans must adopt multiparty democracy, but Moi's deep peasant wisdom tells him that his one-party government is best for Kenya. He is vindicated when an uncontrollable campaign of ethnic cleansing erupts in his home province after the one-party system is abandoned. And so on. A sorry effort to burnish the image of a sorry regime.

*Sudan in Crisis: The Failure of Democracy.* BY G. NORMAN ANDERSON. Gainesville: University Press of Florida, 1999, 272 pp. $49.95.

The U.S. ambassador to Khartoum from 1986 to 1989, Anderson concentrates on Sudanese politics during the regime of Sadiq al-Mahdi. Although he faults U.S. policy for some of Sudan's woes—America



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lavished aid on the preceding dictator, Ja'far Numayri, then squeezed Sadiq's democratically elected but deeply indebted government until there was a net flow of money from Khartoum to Washington—he holds Sadiq personally responsible for Sudan's "failure of democracy." The author's opportunities to observe and interact with Sadiq were extensive and give the book a valuable insider's perspective. We see a leader with stellar credentials who turned out to be indecisive, impractical, overconfident, and impervious to advice, and who learned nothing from past mistakes. Voters would have dealt with such ineptitude in a stable democracy, but in Sudan's fragile political environment they never got a chance. In 1989 military "saviors," fronting for a disaffected minority party of Muslim extremists, beat them to the draw. A failure of Sadiq, not of democracy, most would say.

*The Price of Oil: Corporate Responsibility and Human Rights Violations in Nigeria's Oil Producing Communities.* BY HUMAN RIGHTS WATCH. New York: Human Rights Watch, 1999, 224 pp. $15.00 (paper).

This report assesses the human rights impact of oil extraction in southeastern Nigeria, drawing on site investigations by Human Rights Watch and its subsequent communications with Shell and four other major oil companies. Although respect for the rights of citizens has improved since the end of Sani Abacha's military regime last year, the authors conclude that abuses in the oil-producing regions continue, raising serious questions about the business practices of the industry giants. Environmental degradation and other harmful changes in the Niger Delta were partly inevitable, but the government's failure to compensate citizens for their losses has turned an unjust situation into a tinderbox of protest aimed primarily at the oil companies. The corporate response has been to look the other way while the government uses murderous force against the protesters. Human Rights Watch calls on the companies to face up to their responsibility and use their enormous influence to bring the Nigerian government's practices in line with international human rights standards.

*Aid to Africa: So Much to Do, So Little Done.* BY CAROL LANCASTER. Chicago: University of Chicago Press, 1999, 272 pp. $55.00 (paper, $22.00).

An excellent analysis and critique of foreign aid in Africa, centered on why so much assistance has produced so little development. A former official at the U.S. Agency for International Development and the State Department, Lancaster knows whereof she speaks, and her explanations are lucid, nuanced, and highly persuasive. The roots of failure, she finds, lie as much in the donor agencies as in the recipient governments. Pressures to dispense loans, political interference, lack of analytical capacity, and overreliance on expatriate technical advisers all limit and even undermine aid's developmental impact. The strengths and weaknesses of American, French, British, Japanese, Swedish, Italian, World Bank, and EU programs are compared, as are the growing multiple roles of nongovernmental organizations. Lancaster's sound recommendations for change—for example, that aid programs be insulated against political intervention by donor governments, and that aid agencies and their staffs eliminate bureaucratic pressure to spend—are bound to ruffle aid-agency feathers.



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# Letters to the Editor

*Jimmy Carter and Zbigniew Brzezinski correct history; Stanley Hoffmann and Michael Mandelbaum spar over Kosovo; and others*

## BEING THERE

*To the Editor:*

I just finished reading Patrick Tyler's article about the process my administration followed in normalizing diplomatic relations with the People's Republic of China ("The (Ab)normalization of U.S.-Chinese Relations," September/October 1999). As president, I was the one who consulted with those working under me, approved the final drafts of all communiqués, made the basic decisions, and gave the final instructions. At least in the more crucial matters, I knew what was happening and therefore was interested in Patrick Tyler's report. Although quite titillating, it is a grossly biased and distorted account about many of the key decisions and events.

I will not go into detail, but there are a few facts that should be remembered. I announced publicly, both during my campaign and after I was elected, that I intended to establish relations with China and began in the early months to review all existing records of what had been done before and after the Shanghai Communiqué was issued in 1972. I realized that it called for "one China" but did not say which one, and I knew that many influential political leaders, especially in the Republican Party, strongly criticized President Nixon's long overdue and courageous decision.

My consistent policy throughout my four years in office was to meet every Friday for at least an hour and a half with the secretary of state, secretary of defense, national security adviser, vice president, and one or two top members of my White House staff; during these meetings, we had an unrestricted discussion of any issue that any of us wanted to present. National Security Adviser Zbigniew Brzezinski kept notes and issued them to the other participants, and on Wednesdays he and the two secretaries would follow up to minimize any misunderstanding and ensure that my final decisions were implemented. I do not believe there was ever any doubt about who was in charge.

When I decided in 1978 to move on the China issue, my policy was well understood by all my key associates, and I properly sent Secretary of State Cyrus Vance to Beijing to make my position clear to the Chinese. The visit was a disappointing failure, but I decided to press forward, and in May 1978 I sent Brzezinski to make another effort to present my views to Vice Premier Deng Xiaoping and Chairman Hua Guofeng.

He had a very successful visit, having obviously established good rapport with the Chinese leaders. From then on, I was leery of channeling my proposals through



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the State Department, because I did not feel that I had full support there and it was and is an enormous bureaucracy that is unable and sometimes unwilling to keep a secret. It seemed obvious to me that premature public disclosure of our intensifying diplomatic effort could arouse a firestorm of opposition from those who thought that Taiwan should always be the "one China." I decided that no negotiating instructions to Ambassador Leonard Woodcock would ever be channeled through the State Department; they would be sent directly from the White House.

Although the secretary of state and his assistants carried out their normal responsibilities in other nations in Asia, I made it clear that final negotiations with China would be handled by me personally. I had chosen Woodcock as my representative in Beijing because of his skills as a negotiator (he was the former president of the United Auto Workers), not because of his knowledge of world diplomacy. I felt close to Woodcock, who was talking directly with Chinese Foreign Minister Huang Hua, but I presumed that in China I was dealing with Deng. I listened to all sources of advice and then personally approved (and sometimes composed) the text of every message to Beijing.

Tyler is correct in reporting that Brzezinski and his staff were full of ideas and that new ones from the State Department were rare. I covered this relationship at length in my memoir, *Keeping Faith*. So far as I know even now, my national security adviser never departed from the instructions I gave him, almost all of which were discussed in our weekly meetings described above, which included the secretaries of state and defense. Secretary Vance was conversant with every dispatch we sent and had constant access to me, so I did not give much weight to his disgruntled subordinates in the State Department, some of whom had been a constant source of complaints to the news media regarding the national security adviser's having too much influence over foreign policy. If these assistants at the State Department felt excluded from the China normalization process, which seems obvious from Tyler's article, it was because of my orders to hold information closely so that our efforts would not be subverted.

This was a complicated time for my administration, with an intense Middle East peace effort being conducted at Camp David (followed by efforts for a treaty between Israel and Egypt), talks with the Soviets on a second Strategic Arms Limitation Talks (SALT) agreement, and work with the Senate on ratification of the Panama Canal treaties—by far my worst headache. Despite these and many other issues, we pushed forward on the normalization of diplomatic relations with China because I thought then, and still feel, that it was an important goal to be achieved.

JIMMY CARTER
*President of the United States, 1977–81*

*To the Editor:*

Patrick Tyler's article is part of a book whose subtitle claims it is an "investigative history." In fact, the article represents fictionalized history. Its essence can be reduced to the following encapsulation: What is true in it is not new, and what is new is not true.

For example, a major theme of the article is a purported conflict between myself and Richard C. Holbrooke, who



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at the time was an assistant secretary of state (and who dealt mainly with a member of my National Security Council staff, Michel Oksenberg). To dramatize that "plot," Tyler opens his article with a description of an alleged election-night dinner, said to have been held at Holbrooke's residence and to have included only the Vances, the Holbrookes, as well as my wife and me. He describes the atmosphere and even the personal mood at this theme-setting event.

The problem with the foregoing is this: Neither my wife nor I ever attended any such dinner with the Holbrookes and Vances. Tyler's account is simply a complete—repeat, complete—fabrication.

The article attributes to me, verbatim, vulgar language that I am simply not accustomed to using. It insinuates, without any evidence, alleged efforts by me to discredit in the press Secretary Vance's trip to Beijing. It also suggests that it was a matter of interest to me in what car Holbrooke rode during my mission to Beijing. These are false, petty, and ludicrous charges.

As to a major thesis of the article—namely, that I rammed through the normalization process by December 15, 1978, to undermine Vance's efforts to negotiate SALT—let me note that nowhere in his fictionalized history does Tyler refer to the documented fact that in mid-June of that year the secretary of state recommended in writing to the president—with my concurrence—that the target date for the completion of the normalization process be set for December 15. There was no subsequent recommendation from the secretary of state that this date be deferred, and the president insisted that we stick to the schedule.

It is also worth noting that the normalization of relations with China did not derail the SALT negotiations with the Soviet Union. (Incidentally, the Soviet side always maintained there should be "no linkage" between SALT and any other issue.) Until normalization, the Soviet side had stonewalled for some 20 months on the various proposals made by the Carter administration. Within several months after normalization, the Soviet side decided to accommodate.

It is true that—as directed by the president—I pushed hard to shape a relationship with China that would be strategically beneficial to the United States. However, I would place that insight also in the category of what is not new. President Carter's memoirs speak amply to that, and so do mine. It is also true—but not new—that I kept Holbrooke out of the decisive meeting between myself and Deng. Prior to my mission, I reported to the president my intention—for reasons that I felt were appropriate—to include in that meeting only the U.S. ambassador and Oksenberg (who speaks Chinese fluently). That Holbrooke was unhappy is quite understandable but not of major consequence.

ZBIGNIEW BRZEZINSKI
*National Security Adviser to President Carter*

*To the Editor:*

Patrick Tyler writes that on the night of Jimmy Carter's 1976 election victory, Cyrus Vance, Zbigniew Brzezinski, and their wives watched the returns "at the New York apartment of Richard C. Holbrooke." In fact, the evening in question took place at the home of myself



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and my wife, Danielle. Holbrooke was not present.

RICHARD N. GARDNER
*Of Counsel, Morgan, Lewis & Bockius, and former U.S. Ambassador to Spain*

**BLINDNESS**

*To the Editor:*

It is difficult to believe that my friend Michael Mandelbaum and I live in the same universe. His piece on Kosovo is indeed about a "perfect failure"—his willful failure to understand what was going on there and why intervention was necessary and, yes, beneficial ("A Perfect Failure," September/October 1999).

It takes a real effort at blindness to minimize, as he does, the lies, violations of agreements, and crimes committed by Slobodan Milošević and his forces—first in Bosnia, later in Kosovo. And it takes remarkable naiveté to believe that the expulsion of the Kosovars was an improvised response to NATO's air strikes. If NATO had done nothing and there were a million refugees in camps in the Balkans, wouldn't *that* have been a perfect failure?

The situation in Kosovo is far from ideal, but there are no new mass graves. It is regrettable that Kosovo's Serbs had to flee, but it would have been foolish to expect the Kosovars to embrace coexistence immediately after the atrocities committed against them.

As for alienating Russia and China, the operation in Kosovo did not turn out as disastrously as Mandelbaum argues. It may have been a mistake not to ask for U.N. Security Council authorization, but a veto by Russia and China would have left us with a choice between resigning ourselves to the horrors committed by Serbs and deliberately defying two permanent members of the council. At the end, China's interest in good relations with the United States prevailed over the indignation caused by the accidental and foolish bombing of its embassy in Belgrade. And it certainly was Russian President Boris Yeltsin's preference for cooperation with the West over solidarity with Serbia that gave the coup de grâce to Milošević's determination to hold on to Kosovo. Given the clumsiness of the Rambouillet proceedings and of the initial military operations, there is much to be satisfied with, and good reason to call this intervention a qualified success.

STANLEY HOFFMANN
*Buttenwieser University Professor, Minda de Gunzburg Center for European Studies, Harvard University, and Western Europe Book Reviewer,* Foreign Affairs

*Michael Mandelbaum replies:*

My friend and teacher Stanley Hoffmann thinks that it would have been a bad thing if the ethnic Albanians expelled from Kosovo had not been able to return to their homes. I agree, and said so in "A Perfect Failure." But before the NATO bombing began, they had not been expelled. The weight of the available evidence, impressively marshalled by Christopher Layne and Benjamin Schwarz in their recent article in *The National Interest,* strongly suggests that the bombing triggered the expulsions. Nothing in what James B. Steinberg writes contradicts—and his defense of his bureaucratic superiors may thus be taken as confirming—their thesis (see Steinberg's "A Perfect Polemic," p. 128 in this issue). That is why I said that NATO's war was based on a miscalculation. I do not believe, and I doubt that Hoffmann



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believes, that the NATO governments would have approved the bombing campaign had they understood—as they clearly did not—what would follow.

Hoffmann's letter bears on an issue of greater importance, however, than the competence or lack thereof of the Clinton foreign policy team. Over the last three decades, no one has been more persistent, eloquent, and persuasive than Hoffmann in arguing that the rule of law should and can, within limits, be applied to the use of force in international affairs. The requirements for the lawful use of force are generally agreed on: proper authorization, just and achievable political ends, and the employment of appropriate means. In my article I argue that NATO's Kosovo war met none of these requirements. In his letter Hoffmann does not dispute what I say on this point.

If he believes that I am wrong and that the war did fulfill these requirements, or if he believes that it did not fulfill them but that there were good reasons to set them aside, or if he believes that these requirements do not in fact matter and that the United States may properly use force whenever and however it wishes (whoever happen to be the president and the secretary of state), he should say so and explain why.

MICHAEL MANDELBAUM
*Whitney H. Shepardson Fellow, Council on Foreign Relations*

**ALL TALK**

*To the Editor:*

Willful violence, even in response to acts of barbarity, is not to be entered into lightly. Any justifiable act of aggression against Serbia should have entailed self-sacrifice, not self-aggrandizement. Where was the necessary self-sacrifice in NATO's response? In his *Memoirs,* George F. Kennan ponders the ruins of Hamburg and writes,

> No momentary military advantage could justify this stupendous, careless destruction of civilian life and of material values built up laboriously by human hands over the course of centuries for purposes having nothing to do with war. ... If the Western world was really going to make valid the pretense of a higher moral departure point—of greater sympathy and understanding for the human being as God made him, as expressed not only in himself but in the things he had wrought and cared about—then it had to learn to fight wars morally as well as militarily, or not fight them at all; for moral principles were a part of its strength. Shorn of this strength, it was no longer itself; its victories were not real victories; and the best it would accomplish in the long run would be to pull down its temple over its own head.

Much of the world is skeptical of a moralizing West that speaks of freedom and human rights but is demonstrably unwilling to directly confront the military and paramilitary forces responsible for these atrocities, instead forcing the civilian population to pay the price.

Purity of intentions is not enough. If the Western world wants to protect the values and principles it holds dear, it must do so in its actions. If the Western world wants to avoid adopting the standards of Milošević (or the next tyrant), for whom force used against the weak is the only currency, it must be prepared to confront the actual aggressors directly. This would have meant retaking Kosovo by ground troops.

JOHN KOOPMAN
*Principal, Heidrick & Struggles*



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# Report

# The Future of the International Financial Architecture

## A Council on Foreign Relations Task Force

The global financial turmoil that began in Thailand in 1997 has forced the international community to reevaluate the institutions, structures, and policies aimed at crisis prevention and resolution. In September 1998 President Clinton suggested that a distinguished private-sector group assess the need for reform of the international financial architecture. With this concern in mind, the Council on Foreign Relations sponsored the Independent Task Force on the Future of the International Financial Architecture, cochaired by Peter G. Peterson, chairman of both the Council and the Blackstone Group and secretary of commerce during the Nixon administration, and Carla A. Hills, CEO of Hills & Co. and U.S. Trade Representative during the Bush administration.

Morris Goldstein, former deputy director of research at the International Monetary Fund and now a senior fellow at the Institute for International Economics, served as project director and author of the report. Task force members are listed on page 171.

The following is an edited executive summary of the task force report. A full-length version of the report and dissents can be found on the Council on Foreign Relations Web site, at www.cfr.org.

When Thailand was forced to devalue its currency in July 1997, no one could have foreseen the turmoil that would follow. Over the succeeding two years, financial crises swept through the developing world like a hurricane. Indonesia, South Korea, Malaysia, the Philippines, Hong Kong, Russia, and Brazil were among the hardest hit, but few developing countries emerged unscathed. In the crisis countries, currencies and equity prices plummeted, economic growth turned into recession, wealth evaporated, jobs were destroyed, and poverty and school dropout rates soared. Private capital flows to emerging economies nosedived, while industrial countries saw



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their export markets shrink. Last fall, after Russia's debt default and devaluation and the near collapse of a large hedge fund (Long Term Capital Management, LTCM), international financial markets seized up for nearly all high-risk borrowers, including those in the United States. Global growth slowed sharply. In some quarters, doubts arose about the market as the engine of prosperity. Confidence in the official institutions that manage financial crises was shaken. No wonder, then, that President Clinton, speaking before the Council on Foreign Relations in September 1998, characterized the crisis as "the greatest financial challenge facing the world in the last half century."

Financial crises are nothing new. In the past 20 years alone, more than 125 countries have experienced at least one serious bout of banking problems. In more than half these episodes, a developing country's entire banking system essentially became insolvent. And in more than a dozen cases, the cost of resolving the crisis was at least a tenth—and sometimes much more—of the stricken country's annual national income. The U.S. savings-and-loan crisis of the late 1980s cost taxpayers about 2 to 3 percent of U.S. national income. The debt crisis of the 1980s cost Latin America a "lost decade" of economic growth. Ten members of the European Exchange Rate Mechanism were forced to devalue their currencies in 1992 and 1993, despite spending upwards of $150 billion to defend them. Mexico suffered its worst recession in six decades after the peso devaluation in 1994–95. And in the recent Asian crisis, economies accustomed to annual growth rates of 6–8 percent suffered severe depressions, with output falling 5 to 14 percent last year. In the past six months, a number of the crisis countries have returned to positive economic growth and the functioning of global financial markets has improved. But the global recovery is still in its early stages and remains fragile—not least because most of the underlying vulnerabilities have been only partly addressed.

Banking, currency, and debt crises cannot be eliminated entirely, but it would be a counsel of despair to argue that little can be done to make them less frequent and less severe. Strengthening crisis prevention and management—that is, the international financial architecture—is also very much in the national interest. The U.S. economy is connected much more closely to the rest of the world than it was 20 or 30 years ago. The average share of exports and imports in national output now stands at about 15 percent—twice as high as in 1980 and three times as high as in 1960. Two-fifths of U.S. exports go to developing countries. American firms active in global markets are more productive and more profitable than those that serve only domestic customers. Exporting firms pay their workers better and have expanded jobs faster than firms that do not export. More than $2.5 trillion of U.S. savings is invested abroad. Borrowing costs, including the monthly payments that U.S. households make for their home mortgages, are lower because of American participation in international capital markets.

But why worry, some might ask. After all, the U.S. economy has continued to perform impressively throughout the latest crisis period. But to conclude that fragility in the international financial system is somebody else's problem would be dangerously complacent. In the recent



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## Task Force Members

**Paul A. Allaire**, Chairman and Chief Executive Officer, Xerox Corporation; **C. Fred Bergsten**, Director, Institute for International Economics; **Kenneth W. Dam**, Max Pam Professor of American and Foreign Law, University of Chicago; **George David**, Chairman and Chief Executive Officer, United Technologies Corporation; **Jorge I. Domínguez**, Director, Weatherhead Center for International Affairs, and Clarence Dillon Professor of International Affairs, Harvard University; **Kenneth M. Duberstein**, Chairman and Chief Executive Officer, the Duberstein Group; **Barry Eichengreen**, John L. Simpson Professor of Economics and Political Science, University of California, Berkeley; **Martin Feldstein**, George F. Baker Professor of Economics, Harvard University, and President, National Bureau of Economic Research; **Morris Goldstein**, Dennis Weatherstone Senior Fellow in International Finance, Institute for International Economics; **Maurice R. Greenberg**, Chairman and Chief Executive Officer, American International Group, Inc., and Vice Chairman, Council on Foreign Relations; **Lee H. Hamilton**, Director, Woodrow Wilson International Center for Scholars; **John G. Heimann**, Chairman, Financial Stability Institute, Bank for International Settlements; **Carla A. Hills**, Chairman and Chief Executive Officer, Hills & Company; **Peter B. Kenen**, Walker Professor of Economics and International Finance, Princeton University; **Paul R. Krugman**, Ford International Professor of Economics, Massachusetts Institute of Technology; **Nicholas R. Lardy**, Senior Fellow in Foreign Policy Studies, Brookings Institution, and Frederick Frank Adjunct Professor of International Trade and Finance, Yale University School of Management; **David A. Lipton**, Senior Associate, Global Policy Program, Carnegie Endowment for International Peace; **Ray Marshall**, Audre and Bernard Rapoport Centennial Chair in Economics and Public Affairs, University of Texas at Austin; **Norman J. Ornstein**, Resident Scholar, American Enterprise Institute for Public Policy Research, and election analyst, CBS News; **Peter G. Peterson**, Chairman, Blackstone Group, Chairman, Council on Foreign Relations, Vice Chairman, Federal Reserve Bank of New York, founding Chairman, Institute for International Economics, and founding President, the Concord Coalition; **William R. Rhodes**, Vice Chairman, Citigroup, and Vice Chairman, Citicorp and Citibank; **Stephen S. Roach**, Managing Director, Morgan Stanley Dean Witter & Co., and Chief Economist and Director, Global Economic Analysis; **Henry B. Schacht**, Director and Senior Adviser, Lucent Technologies; **James R. Schlesinger**, Senior Adviser, Lehman Brothers, and Counselor, Center for Strategic and International Studies; **George Soros**, Chairman, Soros Fund Management LLC; **Laura D'Andrea Tyson**, BankAmerica Dean, Walter A. Haas School of Business, University of California, Berkeley; **Ezra F. Vogel**, Henry Ford II Professor of the Social Sciences, Director, Fairbank Center for East Asian Research, and Director of the Asia Center, Harvard University; **Paul A. Volcker**, Henry Kaufman Visiting Professor, New York University's Stern School of Business; **Vin Weber**, Partner, Clark & Weinstock.

Co-chairs: Peter Peterson and Carla Hills
Project Director: Morris Goldstein



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emerging-market turmoil, U.S. exports to the most affected areas fell 40 percent. The Asian crisis struck when domestic spending in the United States was robust and when inflationary pressures were low. This meant that economic growth was able to withstand a big jump in the trade deficit and that the Federal Reserve had scope to calm the turbulence in global markets by cutting interest rates. Next time America might not be so well positioned to weather the storm.

One should also take note of events that did not happen but could have. Americans have more of their wealth invested in the stock market than they have in their homes. The Asian crisis could have acted as a catalyst for a significant stock market correction.

The United States is not immune to financial crises abroad. There have been enough losses, close calls, and "might-have-beens" over the past few decades to remind Americans that international capital markets—despite their important contribution to the U.S. standard of living—can at times be risky places. The more successful Americans are in reducing the frequency and severity of financial crises, including in emerging economies, the better are the chances of safeguarding America's jobs, savings, and national security as well as of promoting global prosperity.

## THE TASK FORCE'S APPROACH

If the international community is to improve crisis prevention and management in the developing world, it must put the primary responsibility back where it belongs: on emerging economies themselves and on their private creditors who dominate today's international capital markets. If the behavior of debtors and creditors does not change, the poor track record on financial crises will continue. But wishing for change will not make it happen. Better incentives—including the prospect of smaller and less-frequent official bailouts—can facilitate desirable changes in lender and borrower behavior.

Six principles guided this analysis. The new international financial architecture should

1. Encourage emerging economies to intensify their crisis prevention efforts.
2. Permit savings to flow to the countries and the uses where they have the best return.
3. Promote fair burden-sharing among private creditors, official debtors, and official creditors when a crisis does occur.
4. Increase the role of market-based incentives in crisis prevention and resolution.
5. Make reform of the architecture a two-way street, with the major industrial countries also doing their part.
6. Refocus the mandates of the International Monetary Fund (IMF) and the World Bank on areas they are best equipped to address.

## RECOMMENDATIONS

Consistent with these principles, the task force offers seven key recommendations.

*Recommendation 1. Greater Rewards for Joining the "Good Housekeeping Club"*

Emerging-market economies have a key responsibility to keep their houses in order, and the international community can encourage them to do so by enlarging the rewards for good housekeeping. Good housekeeping covers a range of economic policies and institutional reforms. It means pursuing sound macroeconomic



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policies, including the avoidance of large budget deficits. It means prudent debt management: discouraging liquid liabilities of the public and private sectors from getting way ahead of their liquid assets and avoiding the buildup of large currency mismatches. It means not being complacent about large current account deficits and highly overvalued exchange rates. It means maintaining a strong and well-regulated banking and financial system that extends loans on the basis of their expected profitability and of the creditworthiness of the borrower. Such a system would comply with international standards for good public disclosure of economic and financial data, for effective banking supervision, and for the proper functioning of securities markets. It means shunning heavy reliance on short-term borrowing and on longer-term debt contracts with options that allow the creditor to demand accelerated repayment if conditions worsen. And it means holding enough international reserves and arranging contingent credit lines so that there is enough liquidity on hand to cushion against unexpected adverse shocks.

Many of these elements of good housekeeping were not in order in the prelude to recent crises. In Russia and Brazil, for example, large government deficits and heavy reliance on short-term government borrowing were at the heart of these countries' vulnerability. In Asia, imprudent debt management, weak domestic banking systems, and premature and poorly supervised financial liberalization took a heavy toll when the external environment soured. Encouraged by interest rates that were lower abroad than at home, exchange rates that had been relatively stable against the U.S. dollar, and a history of strong economic growth, banks and corporations in the crisis countries stepped up their short-term foreign borrowing in the 1990s, much of which had to be repaid in foreign currency. On the eve of the crisis, short-term external debt was larger than international reserves in several of the crisis countries, and corporations had very high debt-to-equity ratios. Banks and finance companies in these countries had lax lending and accounting standards. Their lending decisions were also compromised by heavy government interference and by high levels of "connected" lending (to bank managers and directors and their related businesses). Bank supervision was weak. Reflecting all this, borrowed funds were not invested wisely, with heavy concentrations in real estate, equities, and industries with low rates of return. Lenders (domestic and foreign) did not monitor borrowers carefully, perhaps because they expected that governments and international organizations would be willing and able to bail them out if borrowers ran into trouble.

And run into trouble they did. Exports from Asia slowed dramatically in 1996, prompted by a steep decline in semiconductor prices and a loss of competitiveness as Asian currencies followed the U.S. dollar up against the Japanese yen. Property prices fell, leading to a surge in nonperforming bank loans. As foreign lenders began to recognize that Thailand's weaknesses were shared by several other Asian emerging economies, a panic ensued in which foreign shareholders, bondholders, and banks scrambled to get their money out. Cash flow problems mounted as interest rates rose in vain to defend currencies pegged to the dollar. Political instabilities and uncertainties added to the problem.



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And when currencies fell sharply, their depreciation made it much more expensive for companies to repay their foreign-currency loans. Soon everything collapsed.

Henceforth, the IMF should lend on more favorable terms to countries that take effective steps to reduce their vulnerability to crises. To increase the private market payoff for good crisis prevention, the IMF should make public a "standards report" that assesses periodically each member country's compliance with international financial standards. It should also publish its regular assessments of each country's economic policies and prospects. Loans to countries that make the extra crisis prevention effort should benefit from lower regulatory capital requirements for banks. Some initial, partial, and tentative steps in this general direction have already been made, but more should be done to strengthen the rewards for joining the "good housekeeping club."

*Recommendation 2. Capital Flows—Avoiding Too Much of a Good Thing*

The freer flow of capital across national borders has considerably benefited the world economy. It has loosened the constraints imposed by self-financing and improved the overall productivity of investment on a global scale. This finances development and raises living standards in borrowing countries while providing savers in lending countries with the opportunity to earn a better return on their money. It has permitted both borrowers and investors to obtain better diversification against shocks to their domestic economies. It has also helped foster the transfer of best-practice production processes.

But experience indicates that there are risks and costs along with the benefits. In recent years, private capital flows into emerging markets have been highly volatile. After mushrooming in the early 1990s, they reached a peak of $213 billion in 1996 before collapsing to just over $60 billion last year. This volatility shows up in price as well as quantity. During the 1990s, the interest rates paid on emerging-market bonds have fluctuated wildly in comparison with those paid on U.S. Treasury bonds. For example, this interest rate spread was 1,200 basis points (12 percentage points) in January 1991; 400 basis points in January 1994; 1,600 basis points in January 1995; 400 basis points in mid-1997 (just before the Asian crisis began); 1,400 basis points in the fall of 1998 (just after Russia's debt default); and 1,100 basis points in July 1999.

Although some fluctuation in private capital flows to emerging economies is natural in light of changing investment opportunities and the way investors react to new information, experience suggests that "boom and bust" cycles in such flows create serious problems. When capital inflows are very large and outstrip the domestic capacity to supervise the financial sector and build a credit culture, they sow the seeds of subsequent banking crises. In several Asian countries, the recent crisis was preceded by bouts of premature and poorly supervised financial liberalization. In Thailand, for example, the Bangkok International Banking Facility wound up unintentionally serving as a conduit for local firms to vastly expand their loans from foreign banks, with unhappy results.

Turning to the "bust" side of the cycle, a sudden stop or reversal in private capital flows is often the event that ushers in a crisis. This situation can turn liquidity problems into solvency problems, induce



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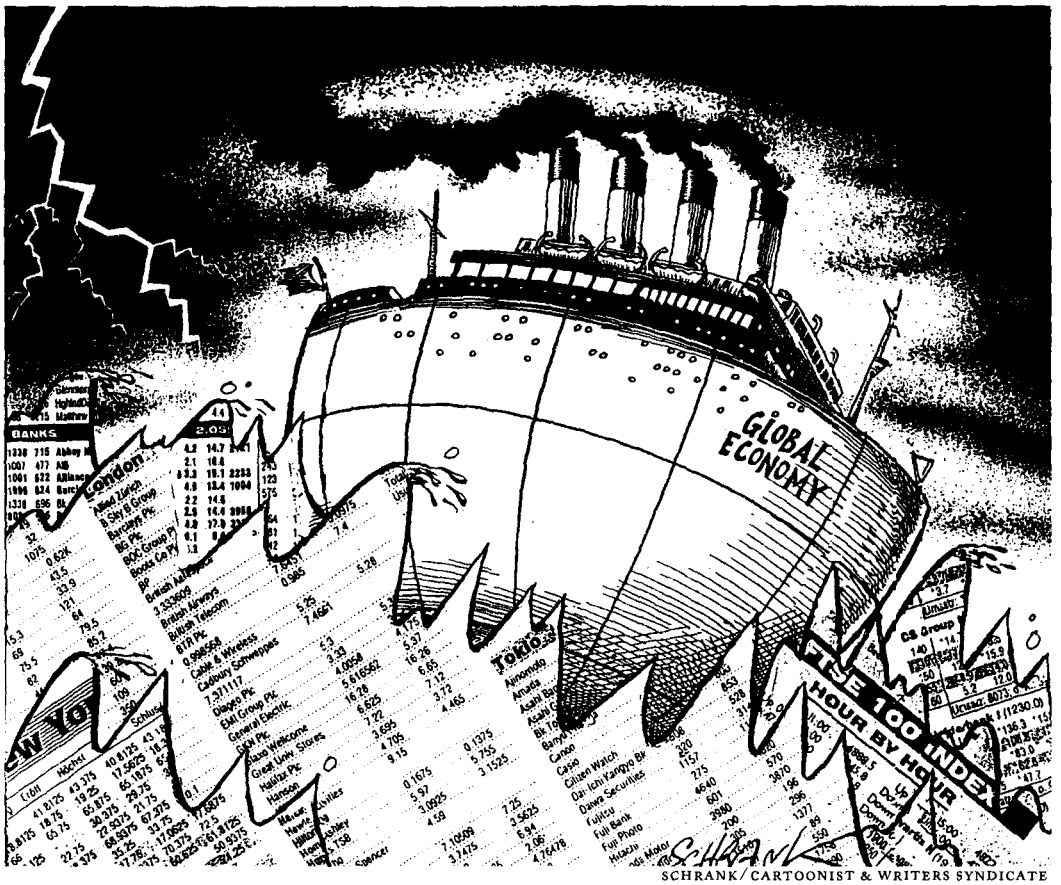

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large cuts in spending that bring on recession, and spread crises considerably beyond their origin. For five Asian emerging economies heavily affected by the recent crisis, net private capital flows went from an inflow of $65 billion in 1996 to an outflow of $43 billion in 1998; Japanese banks alone withdrew $21 billion from these five countries in 1997 (versus a $50 billion inflow in 1996).

The challenge, therefore, is to find ways to moderate the boom-bust cycle in private capital flows and tilt the composition of such flows toward longer-term, less crisis-prone components (such as foreign direct investment) while preserving most of the benefits associated with greater market access.

Short-term capital flows carry a high risk because their short maturity makes it easier for investors to run at the first hint of trouble. Whereas net flows of foreign direct investment to emerging economies recorded only a slight decline during the recent Asian crisis, the fall in portfolio flows and bank loans was much more pronounced. Chile has addressed this problem by, in effect, taxing capital inflows if they are withdrawn after only a short time. This seems to have tilted the composition of its inflows toward the less risky, longer-term components. Admittedly, the effectiveness of such measures does tend to erode over time, and one side effect is that some desirable short-term flows—such as credits to support trade—can also be deterred. Nevertheless, if the alternative is a boom-bust cycle followed by a costly financial crisis, the choice seems clear.



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The IMF should therefore advise those emerging economies with fragile domestic financial sectors to impose Chilean-type taxes on short-term inflows until their ability to intermediate such flows is stronger. The measures should be transparent and designed not to impede the entry of foreign financial institutions, which can make a valuable contribution to strengthening domestic financial systems.

Other measures can moderate the boom-bust cycle. For one, emerging economies should not impose controls or taxes on long-term inflows. One reason why South Korea relied so heavily on short-term inflows was that it had controls that kept long-term flows out. For another, in revising the international agreement that specifies how much capital internationally active banks need to hold against various kinds of assets (the Basle Capital Accord), regulators should avoid weighting schemes, which provide incentives for short-maturity flows.

Hedge funds, which often finance very-short-term investment decisions with huge sums of borrowed money, have gained a certain notoriety in financial crisis episodes. But a review of these episodes, including the recent events in Asia, suggests that hedge funds are not the villains they are often made out to be. At the same time, given the threat highlighted by the near-collapse of LTCM last year, the official community is right to step up the "indirect" regulation of hedge funds by tightening risk-management guidelines for the banks and security houses that lend to them. Financial regulators should give this approach a fair trial. But if it does not produce results, they should consider going further by imposing a higher regulatory capital charge (risk weight) for bank loans that go to offshore financial centers (where many hedge funds are located) that do not meet international financial standards.

*Recommendation 3. The Private Sector: Promote Fair Burden-Sharing and Market Discipline*

If a country faces an unsustainable burden of debt repayments, inevitably they will have to be rescheduled. It benefits neither debtors nor creditors if this takes a long time. But there are formidable institutional barriers to a quick resolution. There is no international bankruptcy code, and in many developing countries national bankruptcy laws either do not exist or function poorly. There are mechanisms through which debts payable to governments can be rescheduled cooperatively, but there is no equivalent for debts to the private sector.

If debt difficulties are resolved with large official bailouts—be it by national authorities or by the international financial institutions—then there will be problems of a different but equally serious nature. If market participants come to routinely expect such bailouts, then private creditors will have little incentive to monitor the financial condition of borrowers. Too many resources will be channeled to the borrowers and lending categories viewed as implicitly "insured," and taxpayers and legislatures in creditor countries may withdraw their support for such rescues because they are being asked to bear the consequences of poor lending and borrowing decisions by other parties. One reason it was so difficult to secure approval from Congress for an increase in the IMF's financing last year was the perception that Wall Street—and in particular large banks—benefited much



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more from official rescue packages than did Main Street.

These problems generally fall under the heading of "moral hazard." As with other types of insurance, the appropriate response to moral hazard should be to limit the size of insurance payments and charge risky policyholders more for the insurance—rather than providing no insurance at all.

Problems with debt rescheduling and moral hazard have become more pressing in recent years. The share of bonds in emerging-market financing has increased sharply while that for bank loans has declined. Bonds are "rescheduling unfriendly" compared to bank loans. For government bonds, one solution would be to include clauses in contracts to make it harder and less profitable for rogue creditors to impede a rescheduling; such "collective-action clauses" already are included in syndicated bank loans. Successive reports by industrial-country governments have in fact recommended such collective-action clauses. But it is unrealistic to expect emerging-market countries to take this step on their own if highly creditworthy rich countries refuse to join in or to make it worthwhile to do so.

On the moral hazard front, significant difficulties exist at both the national and international levels. At the national level, the past several decades have witnessed rapid growth in the banking and financial sectors of emerging economies. Yet the vast majority of these countries do not have in place a good system of deposit insurance for their banks. Such a system should put the burden of rescuing failed banks on shareholders and on large, uninsured creditors rather than on small depositors and taxpayers or international institutions; it should place stringent accountability conditions on senior economic officials when they decide to rescue a bank because it is "too large to fail"; and it should give bank supervisors protection against strong political pressures to delay taking corrective actions. This is the kind of deposit insurance reform that was introduced in the United States after the 1980s savings-and-loan crisis. Without such reform, those most responsible for causing banking crises often get off the hook while others pay the tab.

At the international level, it is true that equity investors and bondholders experienced large losses in the Asian crisis, and banks took sizable hits from the Russian crisis. But too often, large rescue packages allow private creditors—particularly large commercial banks—to escape from bad lending decisions at relatively little cost. The $50 billion Mexican rescue package of February 1995 allowed holders of certain Mexican government securities (*tesobonos*) to get out whole. The international community committed about $190 billion in official rescue packages for Thailand, Indonesia, South Korea, Russia, and Brazil, one-third of which has so far been disbursed. The Miyazawa plan has committed $30 billion more to Asian rescue packages. The Thai, South Korean, and Indonesian authorities issued broad guarantee announcements for bank depositors and creditors shortly after the outbreak of their crises, and the bulk of the short-term debt rescheduling of South Korean banks was done with a government guarantee.

One need look no further than private capital flows to Russia and Ukraine in the run-up to the crisis—widely known on Wall Street as "the moral hazard



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play"—to see what happens when moral hazard effects become large. Despite serious underlying weaknesses in the economic fundamentals, investors were prepared to purchase large amounts of high-yielding government securities, presumably under the expectation that should conditions worsen, geopolitical and security concerns would prompt G-7 governments and the IMF to bail them out.

To be sure, when official rescue packages are evaluated, a balance must be struck between limiting systemic risk and encouraging market discipline. By providing emergency assistance to an illiquid but not insolvent borrower and thereby preventing a costly default and its possible spillover to other borrowers, an official crisis lender can limit the risk to the financial system as a whole. On the other hand, if such emergency assistance is too readily available, too large, and too cheap, lenders will not learn the lessons of their mistakes and market discipline will suffer. But in recent years that balance has tilted too far away from market discipline. Unless balance is restored, we will not be successful either in deterring future crises or in garnering popular support for official rescue packages.

To bring more order and timeliness to private debt rescheduling, all countries, including the G-7, should include collective-action clauses in their government bond contracts. The G-7 should match its words with actions by also requiring that all government bonds issued and traded in their markets include such clauses.

The IMF should encourage emerging economies to maintain comprehensive registers of their creditors. Creditors in turn should be encouraged to form standing committees that could help coordinate future debt rescheduling. To reduce moral hazard at the national level, the IMF should advise emerging economies to enact sensible deposit insurance reform in their banking systems. At the international level, the IMF should provide emergency assistance only when there is a good prospect of resolving the applicant country's underlying balance of payments and debt problems. In the extreme cases when this requires rescheduling of private debt, the fund should make "good faith" discussions on such rescheduling a condition for its own assistance and should be prepared to support a temporary halt in debt repayments. No category of private debt (including bonds) should be exempt from such rescheduling, and it should be done in a way that does not discriminate between domestic and foreign creditors.

*Recommendation 4. Just Say No to Pegged Exchange Rates*

One of the most important steps an emerging economy can take to reduce the risk of a crisis is to get its exchange-rate policy right. The events of the past two years have highlighted the risks of trying to defend a currency regime based on a publicly announced exchange-rate target, and especially so for "adjustable peg" regimes (in which an emerging economy pegs its currency to that of a larger economy, usually the U.S. dollar, with an option to adjust the peg when underlying conditions change). Thailand, Malaysia, the Philippines, Indonesia, Russia, and Brazil have all been forced to abandon announced exchange-rate targets during the recent emerging-markets crisis. Among larger emerging economies with open capital markets, the list of those that have been able to maintain a fixed exchange rate for



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five years or more is now very short: Argentina and Hong Kong.

Pegged exchange rates have their attractions. They can be an effective instrument for reducing high inflation. But the potential risks of pegged exchange rates, particularly their vulnerability to crises, outweigh the benefits. Pegged rates become problematic when they become highly overvalued. This can happen either because the country's inflation rate (even if it is much reduced from earlier periods) remains higher than that of its trading partners, or because the currency to which it is pegged is rising and dragging it up against other currencies. In either case, a highly overvalued exchange rate translates into poor competitiveness, making the currency a target for speculators. But there is no easy way to exit gracefully from a pegged exchange rate. When the overvaluation is small, there is apt to be little political support for upsetting the apple cart with a change in the pegged rate, and by the time the overvaluation has become large and obvious, it is often too late to avoid a crisis.

Once a country runs low on international reserves, the brunt of the defense of a pegged exchange rate falls on high domestic interest rates to make assets denominated in its currency more attractive. But high interest rates slow economic growth and raise unemployment, make things worse for fragile banking systems, exacerbate the fiscal problems of governments with large fiscal deficits and lots of floating-rate debt, and add to the cash flow problems of highly leveraged corporations. Speculators, many of whom can finance very large positions in the foreign-exchange market, know that there is a limit to how long countries can keep interest rates sky-high. In most of these battles, David and his sling (that is, his fixed exchange rate and high interest rates) have been crushed by Goliath (the international capital market), and it is not easy to see why this asymmetry would disappear over the foreseeable future.

In some recent crises (for example, Brazil and Russia in 1998–99, Mexico in 1994–95, and some member countries of the European Exchange Rate Mechanism in 1992–93), exchange-rate overvaluations were sizable. In the case of the Asian crisis countries, their currencies appeared to be only modestly overvalued in mid-1997, but large current account deficits, sharply falling export growth, weak banking systems, and highly leveraged corporations made them vulnerable. In addition, because their exchange rates had been relatively stable for a long time, banks and corporations did not protect themselves against currency risk. Hence the consequences of large foreign-currency exposure were that much more painful when large devaluations finally occurred.

None of this analysis intends to claim that other currency regimes are not without their own problems. Rather, it simply argues that an adjustable-peg regime seems particularly crisis prone for emerging economies.

Despite the risks, history suggests that emerging economies will be tempted to defend an overvalued pegged exchange rate if IMF and G-7 funds are available to finance that defense. The IMF and the G-7 therefore should go beyond advising emerging economies not to adopt an adjustable-peg regime. If asked to support an unsustainable peg, the fund and the G-7 should "just say no." The mainline currency recommendation for emerging



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economies should instead be one of "managed floating," with the use of currency boards and single currencies reserved for particular situations.

*Recommendation 5. IMF Crisis Lending: Less Will Do More*

The IMF was created to help countries tackle balance-of-payments problems without resorting to draconian austerity measures, beggar-thy-neighbor exchange-rate policies, and trade barriers. This remains an extremely valuable goal. Indeed, as costly as the recent emerging-market crises have been, the world would have seen deeper recessions, more competitive devaluations, more protectionism, and far more human suffering had there been no financial support from the IMF and from other official creditors.

But this does not mean that bigger is better. Rescue packages for country crises should be large enough to reduce the recessionary impact of the crisis, finance some smoothing operations in currency markets, contribute modestly to the cost of bank restructuring, and provide a social safety net that provides some protection against the hardships of the crisis for the most vulnerable groups in the economy. In the overwhelming majority of cases, the fund's normal lending limits (100 percent of a country's quota or IMF subscription annually and 300 percent of quota cumulatively) ought to be sufficient. Rescue packages should not be so large as to provide cover for holders of short-term external debt to escape the consequences of poor lending decisions, lest they generate the kind of moral hazard problems emphasized above. IMF loans to Mexico (1995), Thailand and Indonesia (1997), and Brazil (1999) were in the neighborhood of 500–700 percent of IMF quotas, and the loan to South Korea (1997) was 1,900 percent of its quota.

The task force is not persuaded that smaller rescue packages would necessarily make it more difficult for emerging economies to regain the confidence of investors. Experience suggests that this owes more to the speed and determination with which underlying economic problems are addressed. The expectation of smaller rescue packages may well reduce somewhat the flow of private external finance to emerging economies and increase somewhat its cost. But since interest-rate spreads on emerging-market borrowing have been too low and the flow of capital to them too high during much of the 1990s, some moderate movement in the other direction would be no bad thing, especially for those emerging economies with relatively high domestic savings rates.

But what about rare situations of widespread cross-border "contagion" of financial crises, where failure to intervene would threaten the performance of the world economy and where private capital markets are not distinguishing well between creditworthy and less-creditworthy borrowers?

To counter such systemic threats effectively, the international community needs quick access to an adequately and securely funded international backup facility that can assist the victims of contagion. This would supplement the existing credit lines (the New and General Agreements to Borrow, or NAB/GAB) that the IMF already has available from a set of creditor countries. In April 1999 the IMF established a new lending window, the Contingency Credit Line (CCL), to offer assistance to well-behaved countries that



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feel threatened by contagion. But the CCL contains no new money and its operational guidelines seem unnecessarily complex.

The task force proposes that the IMF return to normal lending limits (100–300 percent of quota) for country crises—that is, for crises that do not threaten the performance of the world economy. In the unusual case of a systemic crisis, the IMF should turn to its systemic backup facilities—either the existing NAB/GAB or a newly created "contagion facility" that would replace the existing Supplemental Reserve Facility (SRF) and the CCL. Activation of the systemic facilities would require a decision by a large majority of creditors. The NAB/GAB would be used when the country's problems are largely of their own making and an IMF program is needed to correct those problems. The contagion facility would be used for victims of contagion. Loans from the contagion facility would be agreed on expeditiously, would be disbursed quickly, would be free of policy conditions, and would be priced more expensively than normal loans from the fund. This contagion facility would be funded by pooling a one-off allocation of Special Drawing Rights, the IMF's artificial currency. The U.S. contribution to that contagion facility would be made after extensive consultation with Congress.

*Recommendation 6. Refocus the IMF and the World Bank: Back to Basics*

The emerging-market crises have shaken public confidence in the Bretton Woods institutions. But their roles are crucial—the IMF as a key crisis lender and manager and also increasingly as a monitor of compliance with international financial standards, and the World Bank as a promoter of poverty reduction and sustainable economic development.

Calls for their abolition are misplaced. There is a moral hazard problem associated with large IMF-led financial rescues, but this can be reduced significantly by altering the IMF's lending policies along the lines sketched above. Although hindsight reveals that the fund's monetary and fiscal policy recommendations to the Asian crisis countries were by no means flawless, these are best regarded as judgment calls in a difficult situation that had no easy solutions. For example, although an earlier move to lower interest rates would have helped counter the recession by reducing debt burdens and cash-flow vulnerabilities, it carried the risk of accelerating currency depreciation when banks and corporations had large, unhedged foreign-currency liabilities and confidence was already very weak.

To reject the abolition of these institutions is not to deny that there is a need for reform of the Bretton Woods twins. Both the IMF and the World Bank have tried to do too much in recent years, and they have lost sight of their respective strengths. They both need to return to basics. The task force argues that the fund should normally lend less and concentrate more on encouraging crisis prevention. It should also focus on a leaner agenda of monetary, fiscal, and exchange-rate policies, and of banking and financial-sector surveillance and reform. It should leave more detailed structural reforms to the World Bank and other international organizations with the requisite expertise in those areas.

The World Bank, in turn, should focus on the longer-term structural and social aspects of economic development.



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It should not be involved in crisis lending or crisis management, and it should refrain from publicly second-guessing the fund's macroeconomic policy advice. One area where the bank can and should do more is in the design of social safety nets. When crises strike, the burden of economic adjustment usually falls hardest on those least able to cope. The recent crises in Asia have provided fresh affirmation of this danger, and the need to protect the poorest and most vulnerable would be even more pressing if official rescue packages became smaller in the future. Although this report concentrates on the financial architecture and on the role of the IMF, one should remember that financial stability is not an end in itself but rather a means to broadly shared global prosperity—and that it is a fantasy to believe that financial stability can be maintained without attention to the social aspects of development.

*Recommendation 7. Generate Political Support for Reforms*

Many of the cracks in the international financial system reflect weaknesses in national policies. Remedying these defects—be it by strengthening financial systems in emerging economies or by altering some institutional practices in industrial economies—might be unpopular and will on occasion demand that powerful vested interests be confronted. In addition, experience suggests that reform programs are most successful when the countries most affected participate directly in the design of those measures. If the emerging economies are not full partners in the reform exercise, it will not work. Intensive discussions on strengthening the financial architecture have been under way for about five years, since the Mexican peso crisis of late 1994. With prospects for recovery from the global crisis brightening, there is a danger that fatigue and complacency could combine to stall the push for reform—and this before most of the measures set out in this report could be implemented.

For all these reasons, governments will have to demonstrate considerable political will to carry the reform agenda through. To help foster the necessary political commitment, the international community should directly involve the nations whose behavior should change. The IMF's Interim Committee, the Financial Stability Forum, and the presidents of the regional development banks therefore should convene a special global meeting of finance ministers to establish priorities on architectural reform measures and agree on a specific timetable for specific corrective steps.

## CONCLUSION

Many of the themes emphasized in this report have also been part of the official sector's plans and suggestions for the future architecture. Nevertheless, our approach differs from theirs in several important respects.

The task force believes in stronger measures to reduce moral hazard and encourage market discipline, and in particular to induce private creditors to accept their fair share of the burden of crisis resolution.

The task force believes that the IMF should return to more modest rescue packages for country crises and that large rescue packages should occur only in systemic cases with the agreement of a large majority of creditor countries.

The task force believes that the IMF and the G-7 should take a harder line on limiting official support for adjustable-peg



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currency regimes, and that the IMF should be more active in identifying publicly which countries are meeting international financial standards.

The task force is more forthright in advocating tax measures to shift the composition of capital inflows in emerging economies to longer-term, less crisis-prone investments.

The task force believes that the major industrial countries should be more willing to take the lead in enacting institutional reforms in capital markets.

The task force prefers a simpler and better-funded backup facility to deal with systemic episodes of contagion of financial crisis.

The task force proposes a stricter demarcation of responsibilities and leaner agendas for the IMF and the World Bank.

The task force suggests a vehicle for garnering political support and establishing a timetable for reform of the international financial architecture.

The recommendations outlined in the report are those that were able to command majority support within the task force. Many other proposals, however, were actively debated. A large group of task force members (Paul Allaire, C. Fred Bergsten, George David, Maurice Greenberg, Lee Hamilton, John Heimann, Ray Marshall, James Schlesinger, George Soros, Ezra Vogel, and Paul Volcker) felt that there could be no serious reform of the architecture without fundamental reform of G-3 currency arrangements. They argued that the impact of the global economy on emerging economies is driven significantly by swings among the G-3 currencies, and that in recent years these swings have been enormous, volatile, and frequently unrelated to underlying economic fundamentals. They favored a system of rather broad target zones or reference ranges for the dollar, the euro, and the yen. Some other task force members favored stronger regulation over highly leveraged institutions (Bergsten, Greenberg, Carla Hills, Laura D'Andrea Tyson); a global summit on architectural reform to be held by heads of state and governments (Bergsten, Hills, Peter Peterson, Tyson); greater incentives for crisis prevention and greater use of early warning indicators of financial crises (Bergsten, David); a more structural approach to reform of the international financial architecture (Tyson, Volcker); a link between core labor standards and international financial standards (Marshall); a different approach to collective-action clauses in bond contracts, taxes on capital inflows, and private-sector burden-sharing (William Rhodes); or new measures to encourage sound long-term lending to emerging economies (Soros).

*Foreign Affairs* (ISSN 00157120), November/December 1999, Volume 78, Number 6. Published six times annually (January, March, May, July, September, November) at 58 East 68th Street, New York, NY 10021. Subscriptions: U.S., $44.00; Canada, $54.00; other countries via air, $79.00 per year. Canadian Publication Mail—Mail # 1572121. Periodicals postage paid in New York, NY, and at additional mailing offices. Postmaster: Send address changes to *Foreign Affairs*, P.O. Box 420235, Palm Coast, FL 32142-0235. From time to time, we permit certain carefully screened companies to send our subscribers information about products or services that we believe will be of interest. If you prefer not to receive such information, please contact us through Palm Coast Data at the address indicated above.



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The task force also discussed more radical alternatives. These included comprehensive controls on capital flows, the adoption of single currencies, more far-reaching reforms of the IMF (ranging from its abolition to the creation of a much larger and more powerful fund), and the establishment of new, supranational regulatory institutions. In the end, the more radical proposals seemed either undesirable or impractical. The task force therefore opted instead for what would be characterized as "moderate plus" proposals: proposals that, taken together, would make a significant difference to crisis prevention and management but still have a reasonable chance of acceptance.

**U.S. Postal Service Statement of Ownership, Management & Circulation** *(Required by 39 USC 3685)*

1. Publication Title: FOREIGN AFFAIRS 2. Publication No.: 204-580
3. Filing Date: 9/21/99
4. Issue Frequency: Bimonthly 5. No. of Issues Published Annually: Six
6. Annual Subscription Price: $44.00
7. Complete Mailing Address of Known Office of Publication *(Street, City, Country, State and Zip+4) (Not Printer)*: FOREIGN AFFAIRS, 58 East 68th Street, New York, NY 10021.
8. Complete Mailing Address of Headquarters or General Business Office of the Publisher *(Not Printer)*: FOREIGN AFFAIRS, 58 East 68th Street, New York, NY 10021
9. Full Names and Complete Mailing Addresses of the Publisher, Editor, and Managing Editor: Publisher: David Kellogg, FOREIGN AFFAIRS, 58 East 68th Street, New York, New York 10021; Editor: James F. Hoge, Jr., FOREIGN AFFAIRS, 58 East 68th Street, New York, New York 10021; Managing Editor: Fareed Zakaria, FOREIGN AFFAIRS, 58 East 68th Street, New York, New York 10021.
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11. Known Bondholders, Mortgages, and Other Security Holders Owning or Holding 1 percent or more of Total Amount of Bonds, Mortgages, or Other Securities: None.
12. For Completion by nonprofit organizations authorized to mail at special rates: The purpose, function and nonprofit status of this organization and the exempt status for federal income tax purposes has not changed during the preceding 12 months.
13. Publication Name: FOREIGN AFFAIRS
14. Issue date for circulation Data Below: September/October 1999
15. Extent and Nature of Circulation:

| | Average No. Copies Each Issue During Preceding Twelve Months | Actual No. of Copies Issue Published Nearest to Filing Date |
|---|---|---|
| a. Total No. Copies *(net press run)* | 138,833 | 132,000 |
| b. Paid and/or Requested Circulation | | |
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| (2) Paid In-County Subscriptions *(Include advertiser's proof and exchange copies)* | 0 | 0 |
| (3) Sales Through Dealers and Carriers, Street Vendors, Counter Sales, and Other Non-USPS Paid Distribution | 18,064 | 17,799 |
| (4) Other Classes Mailed Through the USPS | 0 | 0 |
| c. Total Paid and/or Requested Circulation *(Sum of 15b(1), (2), (3) and (4))* | 116,183 | 108,775 |
| d. Free Distribution by Mail *(Samples, complimentary, and Other Free)* | | |
| (1) Outside-County as Stated on Form 3541 | 1,145 | 1,259 |
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| e. Free Distribution Outside the Mail *(Carriers and Other Means)* | 804 | 634 |
| f. Total Free Distribution *(Sum of 15d. and 15e.)* | 1,949 | 1,893 |
| g. Total Distribution *(Sum of 15c. and 15f.)* | 118,132 | 110,668 |
| h. Copies Not Distributed | 20,701 | 21,332 |
| i. Total *(Sum of 15g. and h.)* | 138,833 | 132,000 |
| Percent Paid and/or Requested Circulation *(15c/15g x100)* | 98.35% | 98.29% |

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